MMXVII

ANNUAL REPORT

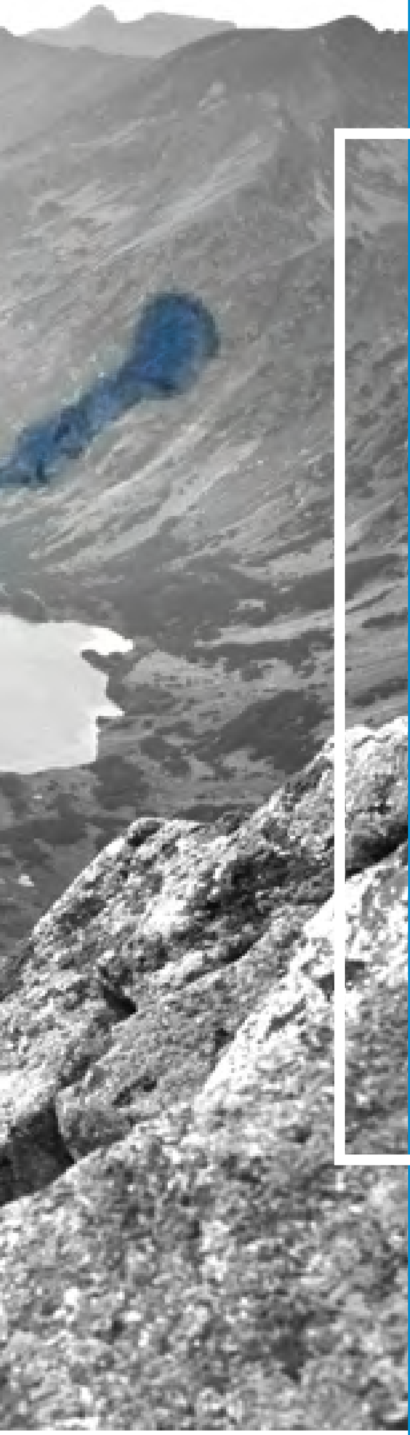
db GROUP | 2017 CORPORATE PROFILE & FINANCIALS

db GROUP

We are what we repeatedly do.
Excellence, then, is not an act, but a habit.

ARISTOTLE

OUR MISSION



One word which...

IS ESSENCE OF SUCCESS ON OUR BUSINESS.

ALWAYS REMINDS US OF HOW WE GOT HERE.

HAS GUIDED US FOR THREE DECADES.

INSPIRES ALL OUR NEW VENTURES.

DISTINGUISHES US FROM OTHERS.

EXPLAINS OUR STAYING POWER.

DEFINES WHO WE ARE.

IS OUR FUTURE.

Excellence

db GROUP

CONTENTS

CHAIRMAN'S INTRODUCTION

All set. For the future.

Talk about a start up. Today's db Group was once just a hazy idea buzzing in the head of a young, naive waiter behind a bar in Mellieħa. He had nothing in his pocket but a modest wage packet and some tips he worked hard for.

Yet his dreams were big and his ambition bigger. He wanted to start a business. He was after success, more than money. Because he believed that money comes from success, not the other way round.

That young man was me.

Today, the db Group has moved on quite a bit from those unassuming beginnings. Over the years, we have slowly but surely taken new initiatives, strengthened and then continued to build on them.

We have gradually widened our horizons and explored new business opportunities which were far afield from our home terrain.
As the Group grew we also upped the stakes of our risk-taking. With hindsight, some of them were quite extraordinary.

Throughout it all, weaving together all our efforts, one thing remained constant, and unwavering – our strong belief that profitability is the result of success, not its cause.

2016 marked a significant period in the Group's journey: it was a juncture in which we consolidated. Partly by coincidence and partly by design, the various parts of the Group reached a point at which their success was secured.

We are now looking at the future. Again. The market sectors in which we have an interest in are undergoing profound transformations. From our core business - hospitality and leisure – to others like industrial catering, healthcare, food franchising, change is the order of the day.

But there's more. On their own, the nature of these changes, do not give the full picture of the economic and financial world we are living in. It is also the unprecedented rate at which these changes are taking place that allows us to appreciate the full extent of it all.

In my view, there are three key relentless forces driving this scenario into the future.

First, globalization has turned almost the entire world into a marketplace for goods and services. Taking tourism as an example, we are no longer competing with our neighbours in the

> ***"We are now looking at the future. Again. The market sectors in which we have an interest in are undergoing profound transformations.***

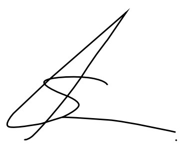
Mediterranean and Europe but with the rest of the world.

Secondly, there's the unprecedented rate at which technology is changing, well, everything – from marketing a service to contracting and, finally, to delivering it.

Finally, there is the trail blazing phenomenon of disruption, whereby a fledgling newcomer to a market not merely poses a competitive threat to established players but changes the very nature of that market itself. It is really a matter of writing the rule from scratch.

Some might look at these three developments as problems. By contrast, we of the db Group see opportunities in all three of them. In them we see ways and means of pushing ourselves to do better for our clients, to question ourselves and how we operate, to think the unthinkable. It is for this reason that we will allow neither the past nor the present to define us. Still drawing our strength from putting success before profit, we are turning our sights forward. With enthusiasm, determination and respect.

We are all set. For the future.



SILVIO DEBONO
Chairman

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

CEO REPORT

A bright future continues to beckon

db Group is another year older. But it is not just another birthday. We continue to improve on previous results whilst exploring new opportunities and areas of growth with enthusiasm. The crowning achievement of the year was signing a 99-year concession for a tract of land located within Malta's golden mile across St. George's Bay. It constituted the birth of the City Centre Complex. This initiative will certainly propel the Group to a qualitatively higher level of operations.

Our mainstay economic driver, tourism, continues to gather speed at an unprecedented rate, registering an impressive growth of 10% on prior year. This has raised inbound tourism to the island just a shade off the 2 million milestone. This, coupled with the continued quest for excellence in service quality - a fact which is amply manifested by the various international awards won by the Group's Hotel portfolio once again this year - led to very encouraging results.

- Group turnover increased by 9% factoring in at €46.6 million
- EBIDTA mirrored the increase in turnover, coming in with a 9% increase at €19.8 million
- Operating cash flows continue on a positive trajectory, factoring in at €21.9 million, a staggering 37% improvement 2016 figures.

The strength of the Group's balance sheet will propel us forward as well as widen our horizon of opportunities. The balance sheet total now hit €218 million, reflecting an increase of €57 million over the previous year. Total equity reflects this underlying strength, moving up to €65.7 million (an improvement of €9 million).

From an operations perspective, the Group's main challenge, and indeed Malta's, is the recruitment of professionally-trained personnel. We have taken a number of mitigating measures to meet this challenge, a challenge which is a by-product of our own success. Human resource management has been strengthened in a number of ways and a number of initiatives for in-house training by professionally qualified trainers has been launched.

As stated, the Group's key milestone for the year was undoubtedly the signing of a 99-year concession agreement with the Government of Malta for a 24,000 square metre tract of land located at the edge of St. George's Bay. The agreement, which was entered into on 1st February 2017, will bring to fruition, subject to the necessary permits, a mixed-use development at the top end of the luxury grid. It will incorporate a 5-star hotel, residential tower, large retail mall, a number of public amenities and upmarket restaurants, together with 6-floors of underground parking.

> *These achievements will serve to propel us to aim higher. We continue to aim for excellence.*

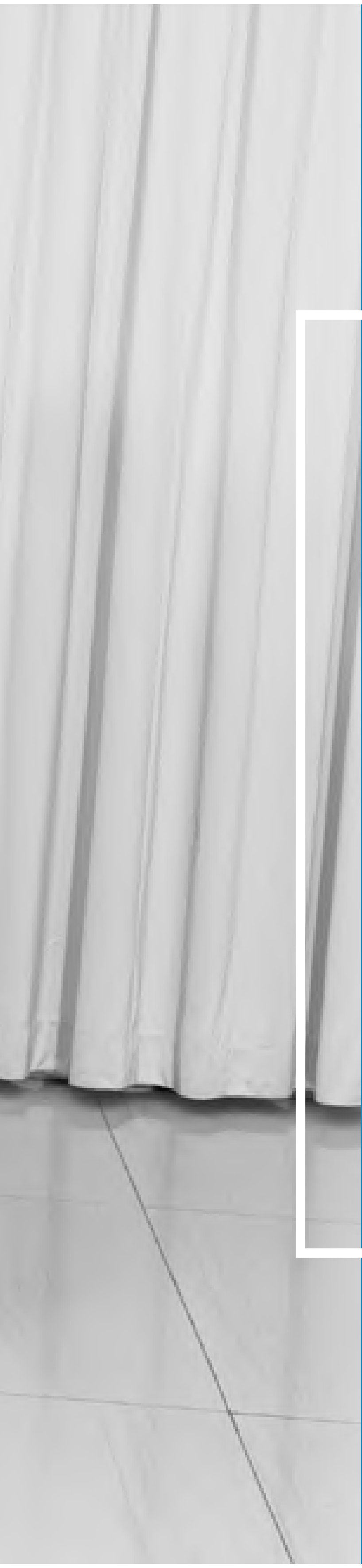
Concurrently, a franchise agreement has been entered into with Hard Rock Holdings Ltd for the branding of the 5-star hotel within the development.

Given the current favourable market conditions, the Group decided to crystallise its borrowing costs by opting for a public bond issue. Over the past couple of years, interest rates, particularly in the Eurozone area where the Group operates, have struck historical lows. Whilst this was music to our ears given the Group was investing heavily in its properties, the Group took the strategic decision to mitigate against interest rate fluctuations by issuing a €65 million 10-year Bond at a fixed coupon of 4.35%. The Bond was issued on 25th April 2017 by SD Finance plc which was heavily oversubscribed. The Bond was admitted for listing on the Malta Stock Exchange on 4th May 2017.

It is very comforting to be reporting these encouraging results. These achievements will serve to propel us to aim higher. We continue to aim for excellence. This can only be achieved through the full commitment and belief of all our staff. We are only as strong as our weakest link. That shall be one of the fundamental focus points to ensure that all the team is properly geared to rise to the next challenge.

ARTHUR GAUCI
Chief Executive Officer

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



THE BOARD OF **DIRECTORS**

directors

ARTHUR GAUCI
VINCENT DEGIORGIO
SILVIO DEBONO
ROBERT DEBONO
VICTORIA DEBONO
JESMOND VELLA

also featured (chairman's sons)

ALAN DEBONO
DAVID DEBONO

GROUP BACKGROUND **2017**

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

Forty years on, the Group's operators have forged strategic relationships with various global players: Hard Rock Café International, the Accor Hotel Group, and RIU Hotels & Resorts to name a few, and have accumulated invaluable business acumen and experience. This has enabled them to establish their own unique brand, db Hotels + Resorts, holding at its core the fundamental principle of excellence on which the Group was founded.

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

2017 KEY MILESTONES

SUCCESSFUL ISSUE OF €65 MILLION IN LISTED CORPORATE BONDS

In 2017, the Group successfully issued €65 million in corporate bonds on the Malta Stock Exchange. The bonds will mature in 2027 and carry an interest rate of 4.35%. The call was instantly oversubscribed, manifesting public trust in the db Group and its operations.

The bond was issued by SD Finance plc, the Group's finance company, whilst the Guarantor for the issue was SD Holdings Limited. As the bond issuer, SD Finance plc will abide by the Code of Principles of Good Corporate Governance, including the setting up of an Audit Committee, as required by the Malta Financial Services Authority.

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

During 2017, the Group laid down the contractual and institutional foundations for the development of the former Institute for Tourism Studies (ITS) site into a db City Centre. The Group concluded agreements with the Hard Rock International brand, and submitted applications for the site's development to the Planning Authority.

The project will feature the Mediterranean's third Hard Rock Hotel, a residential tower, office space, a three-storey shopping mall, a perched rooftop bar, the largest spa in Malta and a number of world-famous bars, restaurants and retail brands. Around €300 million will be invested in the development and this project is contractually bound to create around 1,500 new jobs.

HOSPITALITY & LEISURE

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

PROPERTY DEVELOPMENT

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

CONTRACT CATERING

- SKY GOURMET MALTA LIMITED
- MALTA HEALTHCARE CATERERS LIMITED

HEALTHCARE

- HEALTHMARK CARE SERVICES LIMITED
- HEALTH SERVICES GROUP LIMITED
- SUPPORT SERVICES LIMITED

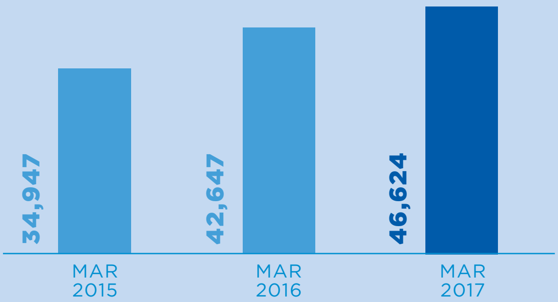
The results of the property development companies listed above are not included in the Group Accounts of SD Holdings Limited. The property development companies file separate Audited Financial Statements.

3,500 BEDS
LARGEST HOTEL OPERATOR IN MALTA

STAFF COMPLEMENT OF CIRCA
2,850 EMPLOYEES

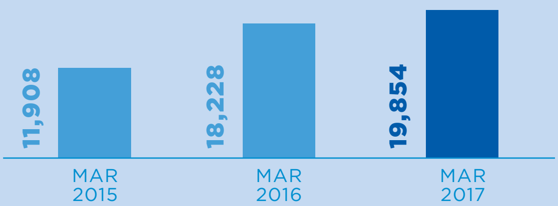
ESTIMATED IMPLIED VALUE
€160 million

REVENUE
(€000S)



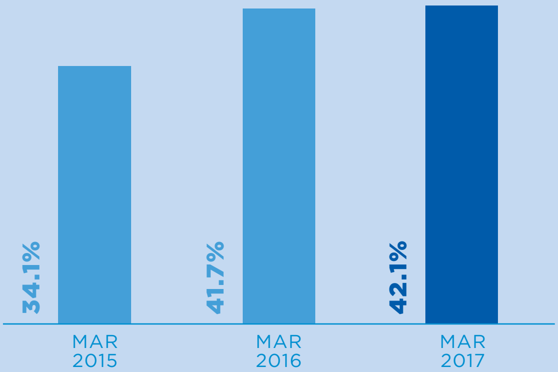
% CHANGE
FY2016/FY2017 **+9%**

EBITDA
(€000S)



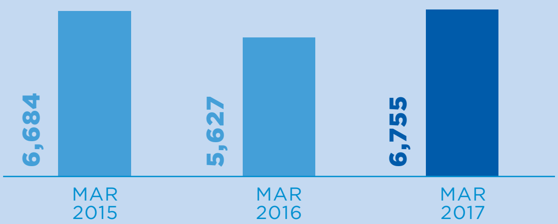
% CHANGE
FY2016/FY2017 **9%**

EBITDA Margin
(%)



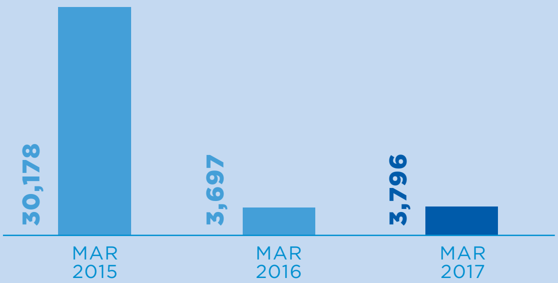
% CHANGE
FY2016/FY2017 **+1%**

PROFIT AFTER TAX
(€000S)



% CHANGE
FY2016/FY2017 **+20%**

CAPITAL EXPENDITURE
(€000S)

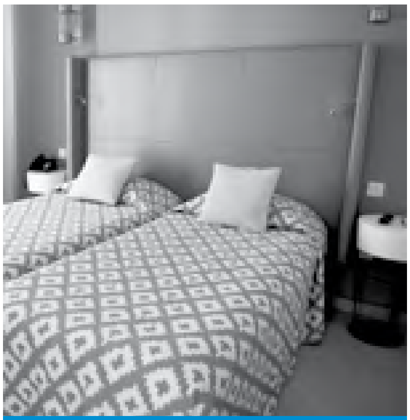


excluding the investment in the db City Centre

% CHANGE
FY2016/FY2017 **+3%**

GROUP REVENUE, INCLUSIVE OF REVENUE GENERATED BY INDIVIDUAL ASSOCIATES, FOR THE YEAR ENDED 31 MARCH 2017

HOSPITALITY & LEISURE



55%

CONTRACT CATERING

15%

HEALTHCARE SECTOR

30%

ESTIMATED IMPLIED VALUE:

Estimated implied value	€000s
As at 31 March 2017	
Net asset value as at 31 March	3,980
Less cost of investments in subsidiaries/associates	(16,525)
Net liabilities (excluding cost of investments)	(12,545)
Add fair value of subsidiaries/associates	€172,600
100% equity value	**160,055**

MALTA
COUNTRY PROFILE

MALTA

Facts first. Malta now has one of Europe's best-performing economies. In 2016, Malta had one of the highest GDP growth rates as well as record low unemployment. Additionally, the national deficit was turned into a surplus, which led to the country receiving a further upgrade from Fitch, an international credit rating agency.

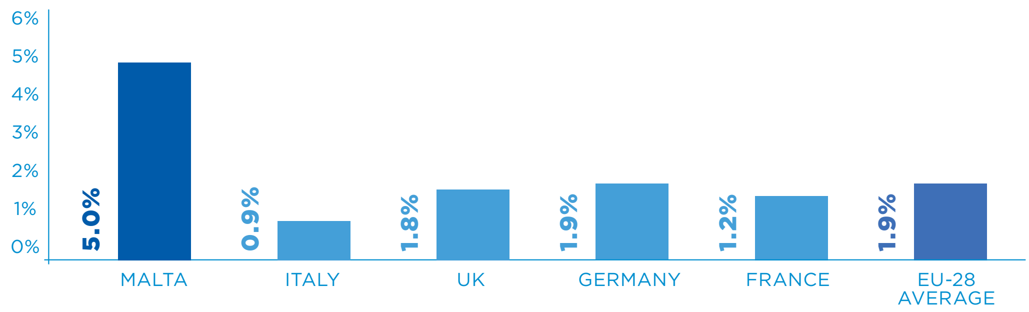
The country's decisions to join the European Union in 2004 and the Eurozone in 2008, were integral to the expansion of the country's horizons and bolstered its status as a key business hub in the Euro-Mediterranean region.

Malta's small, open economy has proven to be remarkably resilient in the face of the global economic downturn, with the economy recording continuous growth over the past few years.

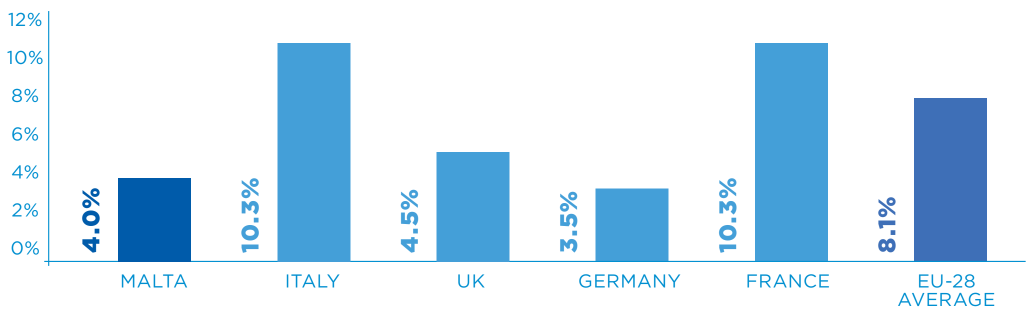
In 2016, real GDP increased by 5%, well above the EU-28 average of 1.9%, making the economy the fastest growing in the EU.

The International Monetary Fund recently announced that the outlook for the Maltese economy is strong and growth is expected to remain solid throughout 2017 with GDP growth projected to glide to 4% in 2017. This clearly indicates that the economy will continue to outpace the majority of those in the euro area.

REAL GDP GROWTH RATE AMONGST EU MEMBER STATES



UNEMPLOYMENT RATE AMONGST EU MEMBER STATES



KEY FACTS - MALTA

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

Capital city	**Valletta**
Population	**440,443 persons (2016)**
Population density	**1,394 persons per km²**
Area	**316km**
Shore line	**200 km**

MALTA GENERAL FACTS

300
DAYS OF SUNSHINE

AVERAGE TEMPERATURE:
12°C Winter
31°C Summer

ANNUAL RAINFALL:
600mm

OFFICIAL CURRENCY:
Euro

TIME ZONE:
GMT +1

INTERNATIONAL DIALLING CODE:
+356

OFFICIAL LANGUAGES:
Maltese & English

PREDOMINANT RELIGION:
Roman Catholic

EUROPEAN EVENTS HOSTED BY MALTA 2015-2018

2015 VALLETTA SUMMIT ON MIGRATION

CHOGM Malta 2015

V.18 VALLETTA EUROPEAN CAPITAL OF CULTURE 2018

2017 Maltese Presidency of the Council of the European Union

KEY BUSINESS METRICS

SELECTED SECTOR RANKINGS

15th Strength of auditing and accounting standards

19th Quality of the education system

16th Soundness of Banks

21st Country capacity to attract talent

21st FDI and Technology Transfer

30th Affordability of financial services

30th Transparency of government policymaking

22nd Regulation of security exchanges

Source: World Economic Forum, Global Competitiveness Index 2016-2017

DOUBLE TAXATION TREATIES: 70+

ACCOUNTING STANDARDS: IFRS

CORPORATE TAX: 35%.HOWEVER, THROUGH MALTA'S FULL IMPUTATION SYSTEM, SHAREHOLDERS CAN CLAIM A 6/7 TAX REFUND.

FISCAL YEAR: CALENDAR YEAR

SOVEREIGN RATINGS: A + (FITCH, 2017), A3 (MOODY'S, 2016), A-/A-2 (STANDARD & POOR'S, 2017)

FDI STOCK: €156.7 BILLION AS AT JUNE 2016

MALTA'S TOP TRADING PARTNERS: ITALY, CANADA, GERMANY, UK, US, FRANCE, NETHERLANDS, CHINA, TURKEY, SPAIN

THE MALTA INTERNATIONAL AIRPORT RANKED THE SECOND BEST AIRPORT IN EUROPE AND IS PARTNERED WITH OVER 30 AIRLINES, SERVING MORE THAN 80 DESTINATIONS.

ECONOMIC DIVERSIFICATION AND STABILITY

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

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

Foreign investors have boosted Malta's economic performance over the years, as they enjoy access to the EU's single market. Furthermore, Malta's proximity to and cultural links with, North African and Middle Eastern counties are particularly attractive to companies that use the country as a stepping stone for trading, distribution and marketing of their international operations in Southern Europe and North Africa. In addition to the historical and strong commercial links with Italy and the UK, Malta enjoys healthy trade with France, Germany, the Netherlands, the US, Canada and China.

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

The buoyant economy has also been attracting professionals pursuing dynamic careers in various sectors. To date, around 30,000 foreigners have relocated to Malta and enjoy sustainable job prospects as well as a Mediterranean island lifestyle.

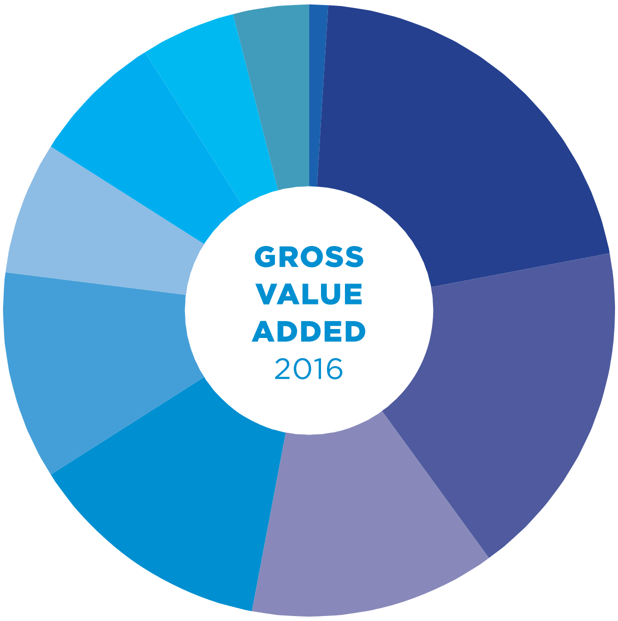
This positive net migration over recent years has resulted in Malta reporting a 1.2% growth in population in 2015, almost triple the EU-28 average growth rate.

10 REASONS WHY EXPATS ENJOY LIVING IN MALTA

1. Wonderful weather all-year round
2. Short distances between destinations keep commuting times to a minimum
3. Friendly population
4. English as an official language
5. Low cost of living while all goods are easily available
6. Excellent social life for all ages
7. Low crime rate
8. Good medical services
9. English-speaking schools and a respected University
10. A wide variety of property is available in all price ranges

GROSS VALUE ADDED (GVA)

Sectorial distribution of Malta's GVA for 2016



21%	Wholesale and retail trade, transport and accommodation
18%	Public administration, education and health
13%	Arts, entertainments and recreation
13%	Professional, scientific, and technical activities
11%	Manufacturing and energy utilities
7%	Information and communication
7%	Financial and insurance activities
5%	Real estate activities
4%	Construction
1%	Agriculture, forestry and fishing

FINANCIAL SERVICES

Long-standing international financial services hub.

GAMING

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

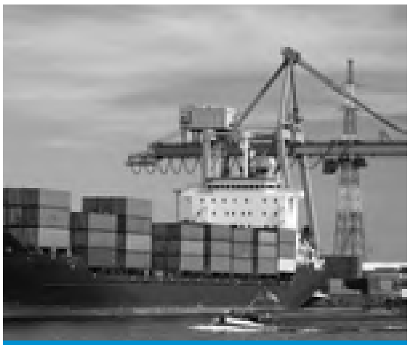
TOURISM

Landmark number of tourists in 2016 of almost 2 million, circa 4 times the local population.

AVIATION

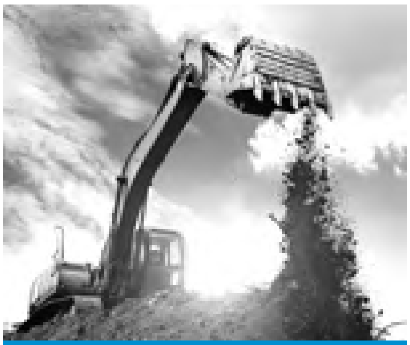
The local economy is equipped with all the necessary services for aircraft operations with aircraft manufacturers, operators, and ancillary service providers based in two dedicated aviation parks.

MARITIME



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

CONSTRUCTION



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

EDUCATION

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

HEALTHCARE

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

MANUFACTURING

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

REASONS TO INVEST IN MALTA

GEOGRAPHY

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

POLITICAL STABILITY AND ECONOMIC PERFORMANCE

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

BUSINESS FRIENDLY ENVIRONMENT

The country is an internationally-recognised financial services hub and is fast becoming a regional centre of ICT experience. It has a business-friendly environment with a sound infrastructure and favourable tax rates at corporate and individual level.

WORKFORCE

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

INFRASTRUCTURE

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

START-UPS

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

CONTAINMENT

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

CLIMATE AND ENERGY

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

HISTORY AND ACTIVITIES

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

CITIZENSHIP BY INVESTMENT

In 2014, Malta introduced the Individual Investor Programme, which 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.
- 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, 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 August 2016, the number of applicants in the Maltese citizenship programme was just over 1,100, out of the cap of 1,800 applications in place for the whole programme.

TAX INCENTIVES AND OTHER PROGRAMMES FOR FOREIGN INVESTORS

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

Malta provides various incentives to foreigners, which have attracted over 30,000 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, even when received in Malta. Furthermore, there are no property, wealth or inheritance taxes.

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

In addition, the country offers various tax programmes to high value expatriates which provide for an advantageous tax rate. In order to qualify for one of the below special tax programmes, certain criteria must be satisfied. Amongst others, the individual must hold a 'Qualifying Owned Property' of not less than €275,000 or 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 in Malta, or intend to do so.

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

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

Malta also offers tax programmes to attract highly qualified foreign individuals to come and work in specific sectors of the Maltese economy. Under the Highly Qualified Persons Rules, expatriates satisfying certain requirements and employed in an eligible office, such as companies licensed and/or recognised by the Malta

Financial Services Authority, the Malta Gaming Authority or with an undertaking holding an air operators' certificate, 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 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 to apply 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 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.

HOSPITALITY & LEISURE MARKET IN MALTA

HOSPITALITY AND LEISURE MARKET IN MALTA

The tourism sector is a main pillar of the Maltese economy, attracting around 2 million tourists a year[1] and accounting for 26.7% of GDP, with a direct contribution of 14.1% at €1.3 billion (2016)[2]. Over the eight years to 2016, tourist arrivals increased by an annual average rate of 5%, well over the reported European one[3].

Key indicators for Malta's tourism sector for 2016 and projections for 2017 and 2027:

	2016	2017	2027
Direct contribution of travel and tourism as a % of GDP	14.1%	20.6%	18.1%
Direct contribution of travel and tourism to GDP (€ million)	€1,279	€1,361	€2,182
Total contribution of travel and tourism as a % of GDP	26.7%	32.3%	34.6%
Total contribution of travel and tourism to GDP (€ million)	€2,426	€2,561	€3,993
Direct jobs generated in travel and tourism	27,600	28,500	38,600
Travel and tourism direct jobs as % of total employment	15.5%	19.0%	21.8%
Total jobs generated in travel and tourism	49,400	50,600	66,100
Travel and tourism total jobs as a % of total employments	27.8%	30.3%	37.3%
Money spent by foreign visitors (€ million)	€1,458	€1,561	€2,617
Investment attracted by travel and tourism (€ million)	€176	€181	€227

Tourism Sector Key Indicators
Source: World Travel and Tourism Council, Travel and Tourism Economic Impact 2017, Malta

Economic growth in Malta in 2017 is expected to be driven by a positive performance in the services sector. Tourism is expected to continue performing strongly 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. Furthermore, this growth will also be supported by a weaker euro exchange rate relative to the sterling[4].

	2014	2015	2016	% change 15/16
Inbound tourists (million)	1,715	1,799	1,988	+10.5%
Tourist guest nights (million)	13,522	14,152	14,961	+5.7%
Average length of stay (days)	8.0	7.9	7.6	-3.8%
Tourist expenditure (€ million)	1,529	1,639	1,709	+4.3%

Main Indicators for Inbound Tourism for Malta 2014 - 2016
Source: Malta Tourism Authority, Tourism in Malta – Edition 2016; National Statistics Office, Inbound Tourism: December 2016

[1] National Statistics Office, Inbound Tourism: December 2016
[2] World Travel and Tourism Council, Travel and Tourism Economic Impact 2017, Malta
[3] Ministry for Tourism, Draft National Tourism Policy 2015-2020
[4] Ministry for Finance, Malta's National Reform Programme under the Europe 2020 Strategy, April 2015

In 2016, the peak months remained June to October, with the highest activity level registered in August. Tourists coming from EU Member States account for 86.0% of all inbound visits[5]. The UK remains Malta's main source market accounting for 30.5% of annual arrivals. 16.0% of incoming tourists visit from Italy, 8.0% from Germany and 7.4% come from France.

Over the years, Malta's tourist profile has changed from one with a 'sun and sea' focus to a much more varied and sophisticated one, embracing history, culture, and business travel requirements - meetings, incentives, conferences and exhibitions, diving and other sports, and English language learning. The majority of tourists are between 25 to 44 years old. Tourist arrivals in this category increased by 14.9% over 2015. The second largest category of tourist arrivals was in the 45 to 64 age group[6].

At the end of 2016, the number of hotels in Malta and Gozo stood at 116, with over 34,000 beds. The majority are 4- and 3-star establishments, housing 16,000 and 10,000 beds respectively. In 2016, 43.7% of hotel guests stayed at 4-star hotels, whilst a further 24.4% stayed at 5-star ones[7].

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

AIR CONNECTIVITY - In 2016, 97.0% of all tourists travelled to Malta by air. The Malta International Airport (MIA) registered 5.0 million passenger movements, a 13.6% increase over the previous year. This growth is driven by further capacity being deployed by operating airlines and a number of new airlines and routes operating to Malta.

SEA CONNECTIVITY - In 2016, 3.0% of tourists came by sea, through a few maritime market segments. A main sector is the home porting of cruise ships, whose passengers increased by 4.3% between 2015 and 2016, from 600,156 to 626,082. 74.4% of visitors came from EU Member States. Nearly 40,000 passengers arrived in Malta during the first quarter of 2016, an increase of 91% over the same period of 2015[8]. Another emerging sector is yachting. Malta has a long tradition as a yachting destination and offers a wide range and volume of berthing facilities[9].

[5] National Statistics Office, Inbound Tourism: December 2016
[6] ibid
[7] National Statistics Office, Collective Accommodation Establishments: December 2016
[8] National Statistics Office, Cruise Passengers: Q4/2016
[9] Ministry for Tourism, Draft National Tourism Policy 2015-2020

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. It is Malta's first fully all-inclusive resort offering a superior service. The hotel spreads over around 23,000m2 of land, 19,000m2 of which are landscaped.

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

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

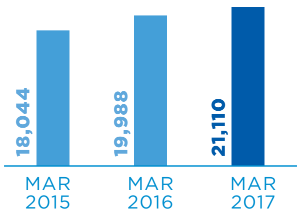
- **TRAVELLER'S CHOICE**
  by Trip Advisor - 2017 Winner
- **TOP-RATED ALL-INCLUSIVE HOTEL FOR THE YEAR**
  by Hotels.com - 2017 Winner
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor - 2016 Winner
- **TRAVELLER'S CHOICE**
  by Trip Advisor - 2016 Winner
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor - 2015 Winner
- **TRAVELLER'S CHOICE**
  by Trip Advisor - 2015 Winner
- **SUNNY HEART SILVER AWARD**
  by Thomas Cook - 2015 Nominee
- **TRAVELLER'S CHOICE**
  Choice by Trip Advisor - 2014 Winner
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor - 2014 Winner
- **MOST POPULAR HOTEL IN MELLIEĦA**
  by HolidayCheck.com - 2014
- **GOLD AWARD ACCESSIBLE TOURISM**
  by 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**
  by HolidayCheck.com - 2013

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

2017 RESULTS & KPIS

REVENUE

(€000S)

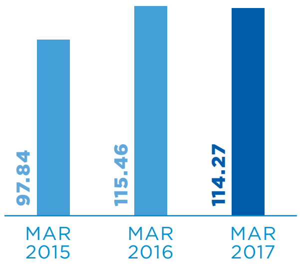


% CHANGE
FY2016/FY2017

+5.6%

ACHIEVED ROOM RATE

(€)

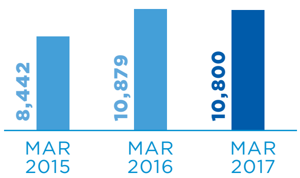


% CHANGE
FY2016/FY2017

-1%

GROSS OPERATING PROFIT

(€000S)

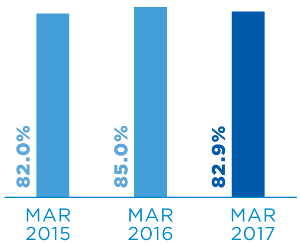


% CHANGE
FY2016/FY2017

-0.7%

OCCUPANCY

(%)



% CHANGE
FY2016/FY2017

-2.5%

Average occupancy achieved by 4-star Hotels operating in Malta was 82% (for 2016)

db San Antonio Hotel & Spa
KEY MILESTONES

2000

Group acquires 50% of the San Antonio Hotel + Spa

2002

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

2013

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

2015

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

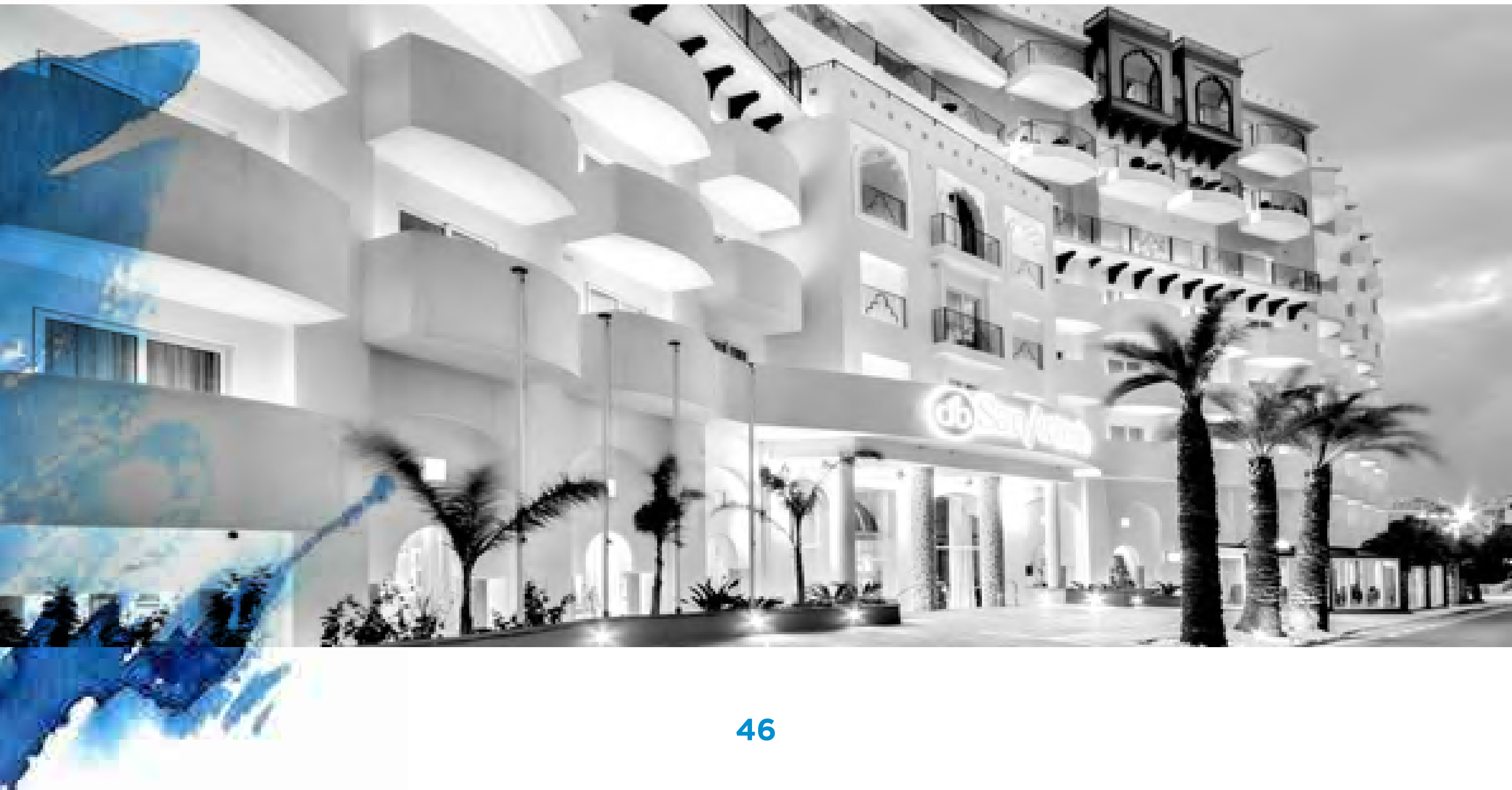
DB SAN ANTONIO HOTEL + SPA

The db San Antonio Hotel + Spa is one of the largest hotels in Malta. Located in St. Paul's Bay, the 4-star all-inclusive hotel is built in Moorish style, with 500 rooms spread over 10 floors. It has five themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and extensive conference facilities.

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

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

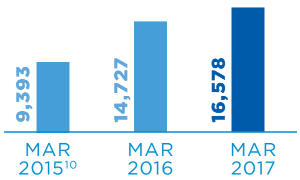
- **TRAVELLER'S CHOICE**
  by Trip Advisor – 2017 Winner
- **RECOGNITION OF EXCELLENCE AWARD**
  Award by HotelsCombined – 2017 Winner
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor – 2016 Winner
- **ECO CERTIFIED**
  by the Malta Tourism Authority – 2016
- **TRAVELLER'S CHOICE**
  by Trip Advisor – 2015 Winner
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor – 2015 Winner
- **CERTIFICATE**
  by Lufthansa Holidays - 2015
- **BRONZE AWARD WINNER**
  by Zoover – 2015
- **TOP PRODUCER PACKAGE ROOMS**
  Expedia.com 2015
- **CERTIFICATE OF EXCELLENCE**
  by Trip Advisor – 2013 Winner
- **RECOMMENDED HOTEL**
  by Zoover – 2013
- **TOP OVERALL RATINGS**
  by venere.com – 2013
- **TOP CLEAN AWARD**
  by 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 – 2010



2017 RESULTS & KPIS

REVENUE

(€000S)

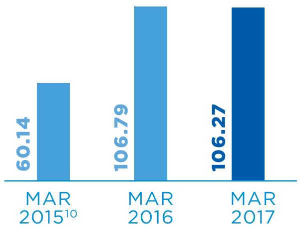


% CHANGE
FY2016/FY2017

12.6%

ACHIEVED ROOM RATE

(€)

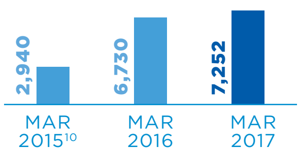


% CHANGE
FY2016/FY2017

-0.5%

GROSS OPERATING PROFIT

(€000S)

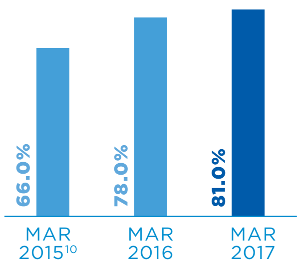


% CHANGE
FY2016/FY2017

7.8%

OCCUPANCY

(%)



% CHANGE
FY2016/FY2017

3.8%

Average occupancy achieved by 4-star Hotels operating in Malta was 82% (for 2016)

[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

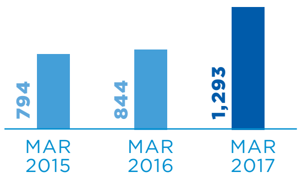
Porto Azzurro is a 3-star, 125-room aparthotel overlooking St. Paul's Bay. The rooms and apartments are stylish and comfortable, with ensuite bathrooms, air conditioning, a fully-equipped kitchenette and other amenities.

The hotel has a 24-hour reception, wi-fi connectivity, internet café, launderette, mini-market, dedicated restaurant and a pizzeria. Leisure facilities include outdoor, indoor and children's pools, a whirlpool, a jacuzzi and a fitness centre.

2017 RESULTS & KPIS

REVENUE

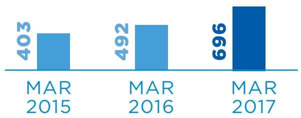
(€000S)



% CHANGE
FY2016/FY2017
+53.2%

ACHIEVED ROOM RATE

(€)



% CHANGE
FY2016/FY2017
+41.5%

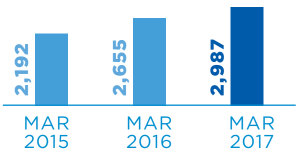
TUNNY NET COMPLEX

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, the Maya Beach lounge bar, La Barca Italian trattoria, water sports facilities and a number of retail outlets.

2017 RESULTS & KPIS

REVENUE

(€000S)



% CHANGE
FY2016/FY2017

+12.5%

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 three of its outlets:

- Hard Rock Café, Bay Street Complex, St. George's Bay, St. Julian's – Covering 600 sqm, this restaurant seats 180 and includes a bar area, a merchandise shop and world-famous rock 'n' roll memorabilia.
- 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.
- Hard Rock Café, Valletta Waterfront – The third Hard Rock outlet has a seating capacity of 140 and is also equipped with a cocktail bar.

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.

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.

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

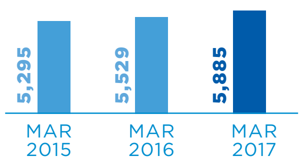
tripadvisor®

- **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.

2017 RESULTS & KPIS

REVENUE

(€000S)



% CHANGE
FY2016/FY2017
+6.4%

DB CATERING AND EVENTS

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

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

CORPORATE SERVICES

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

WEDDINGS

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

HOSPITALITY AND LEISURE DEVELOPMENT SHOWCASE

DB CITY CENTRE AND HARD ROCK HOTEL

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

Looking forward, the Group plans to grow both locally and internationally and 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.

The Group is currently in an advanced planning phase to open the first ever 5-star Hard Rock Hotel in Malta. The Hard Rock International brand itself is currently present in 74 countries internationally, with nearly 200 cafés, 24 hotels, and 11 casinos. The brand mission is to spread the spirit of rock n' roll by creating authentic experiences for its customers. Some of the greatest stars in the world, 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.

From Ibiza to Chicago to Bali, Hard Rock Hotels already dot the globe. Architecturally, they aspire to be monuments of local architectural heritage. In the next five years, there are contracts signed to build another 20 Hard Rock Hotels around the world, ranging from Abu Dhabi to Aruba to Malta.

Europe currently has only two Hard Rock Hotels, in Ibiza and Tenerife, affirming that Malta's combination of sea and sun is a recipe for success.

> **"*The db Group is recognised as one of the most established hospitality companies on the island with more than 30 years of experience, which includes the ongoing management of Malta's existing Hard Rock Cafés***
>
> *Marco Roca, Executive Vice President of global hotel development at Hard Rock International*

As the world takes notice and Maltese tourism booms, we're thrilled to work with Hard Rock to bring an upscale and never-before-seen experience to the Island

Arthur Gauci, Director and CEO of db Group

Following a national initiative to develop the area referred to as the 'Golden Mile' in St. Julian's, the db Group acquired the former Institute of Tourism Studies (ITS) site, to develop the db City Centre. The surrounding St. George's Bay beach area is already a commercial and up and coming hub of hotels, catering establishments, entertainment and leisure centres, residences, and Malta's primary destination for nightlife. The City Centre project, including the 5-star Hard Rock Hotel, will complement these projects and will act as the heart of the newly transformed location.

The project is envisaged as a destination that will offer a total upmarket 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. The City Centre is designed to be a hive of activity, typical of the world's most cutting-edge capitals. Furthermore, the Hotel will be part of an upmarket mixed tourism and leisure project.

The City Centre will feature a shopping mall spread over three levels, over 160 residences, office space, restaurants, a casino, a marina, a café on the beach and a sky rooftop bar with panoramic views, in addition to the 5-star Hard Rock Hotel. The proposed Hard Rock Hotel is planned to span over 18 levels and will house 464 rooms (including 110 suites), the majority of which with a sea view. It will feature a fully-equipped Rock spa and a Body Rock fitness centre, indoor and outdoor pools, as well as a number of complementary bars and restaurants.

Passionate to come up with the best possible use and design for the site, the db Group has commissioned no less than four different architectural firms from around the globe to submit their ideas and chose 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:

- a residential tower modelled as a green waterfall;
- a Sky Bar mimicking a flying bird; and
- a Hard Rock Hotel envisaged as a hanging garden.

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

The Group plans to invest some €300 million into the project and expects it to generate around 1,500 new jobs over its lifetime.

During 2017, the Group laid down the necessary foundations for the project's commencement, concluding agreements with Hard Rock International, and submitting the necessary applications to the Planning Authority. Currently, it is expected that the project will be nearing completion by 2020.

HEALTHCARE

HEALTHCARE SERVICES

The public sector is the key healthcare services provider in Malta. It is complemented by the private sector which mostly delivers primary healthcare services. Malta currently has five public hospitals, two of which are acute and three 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 increased marginally in September 2015, in line with the inauguration of the new oncology centre, providing another 113 beds. Going forward, the number of beds is expected to increase to around 2,600, through a private public partnership, which the Government announced in 2015. In fact, the erection of a new hospital in Gozo by Vitals Global Healthcare, in partnership with the Government, will house around an additional 450 beds.

LONG TERM CARE

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

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

Source: Ministry for Health Annual report 2015

NURSING AND ELDERLY HOME BEDS

In 2008, the number of nursing and elderly home beds per 100,000 population in 2015 stood at 1,073.2, up from 635.4[13].

WAITING LISTS FOR LONG-TERM CARE

In October 2015, it was reported that the 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] Eurostat publication, 2017 – Healthcare resource statistics - beds
[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

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

2015

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

2016

Expanded service offering to include domiciliary care for the elderly

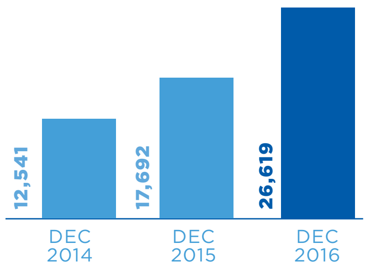
HEALTHMARK CARE SERVICES LIMITED

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

Today, Healthmark has a pool of 170 professional nurses, a further 160 staff members providing domiciliary care for the elderly and around 1,500 trained care assistants. These numbers are on the increase in light of the high demand for these services in Malta. In fact, having increased its headcount in the financial year ending 31 March 2017 by 22% over the previous financial year, Healthmark is now the largest employer of healthcare professionals in Malta. Operationally, its staff work on contractual basis in various hospitals, clinics, retirement homes, schools and in private residences.

In 2016, 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:

REVENUE
(€000S)



% CHANGE FY2016/FY2017 **+50%**

HEALTHCARE

WHERE ARE **WE HEADING?**

Due to the ever-increasing demand for long-term care and in light of Malta's ageing population, the demand for nursing and healthcare staff is constantly on the rise. 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 the Government to attract women to enter or resume 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 substantially increase.

In line with the 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 the Mtarfa site occupied by a former isolation hospital and its surroundings. This site has been converted 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.

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

2011

The Group is awarded the catering contract for meals on-board Emirates flights

2012

The Group entered into a contractual agreement to provide catering on-board Ryanair flights

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

2012

Through the Group's partnership in Malta Healthcare Caterers Limited, the Group starting supplying meals to Gozo's acute hospital

2017

The Group was awarded the supply of meals to Saint Vincent de Paule Residence

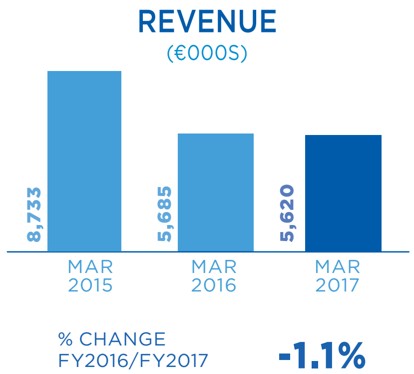
OVERVIEW OF THE CONTRACT CATERING MARKET

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

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

KEY CONTRACT SKY GOURMET MALTA LIMITED

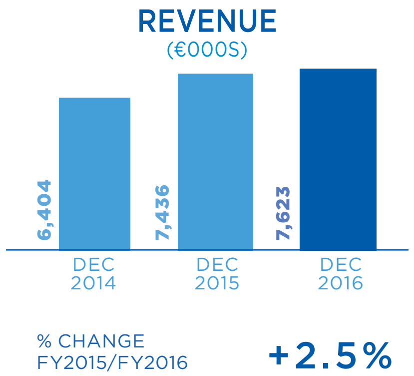
Sky Gourmet services Air Malta - Malta's national airline, Emirates, Ryanair, and other top-end carriers, on a regular or ad hoc basis. The company serves over 2 million airline meals and snacks every year. In addition, it also provides Air Malta with commissary and transport services for on/off loading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



KEY CONTRACT MALTA HEALTHCARE CATERERS LIMITED

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

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



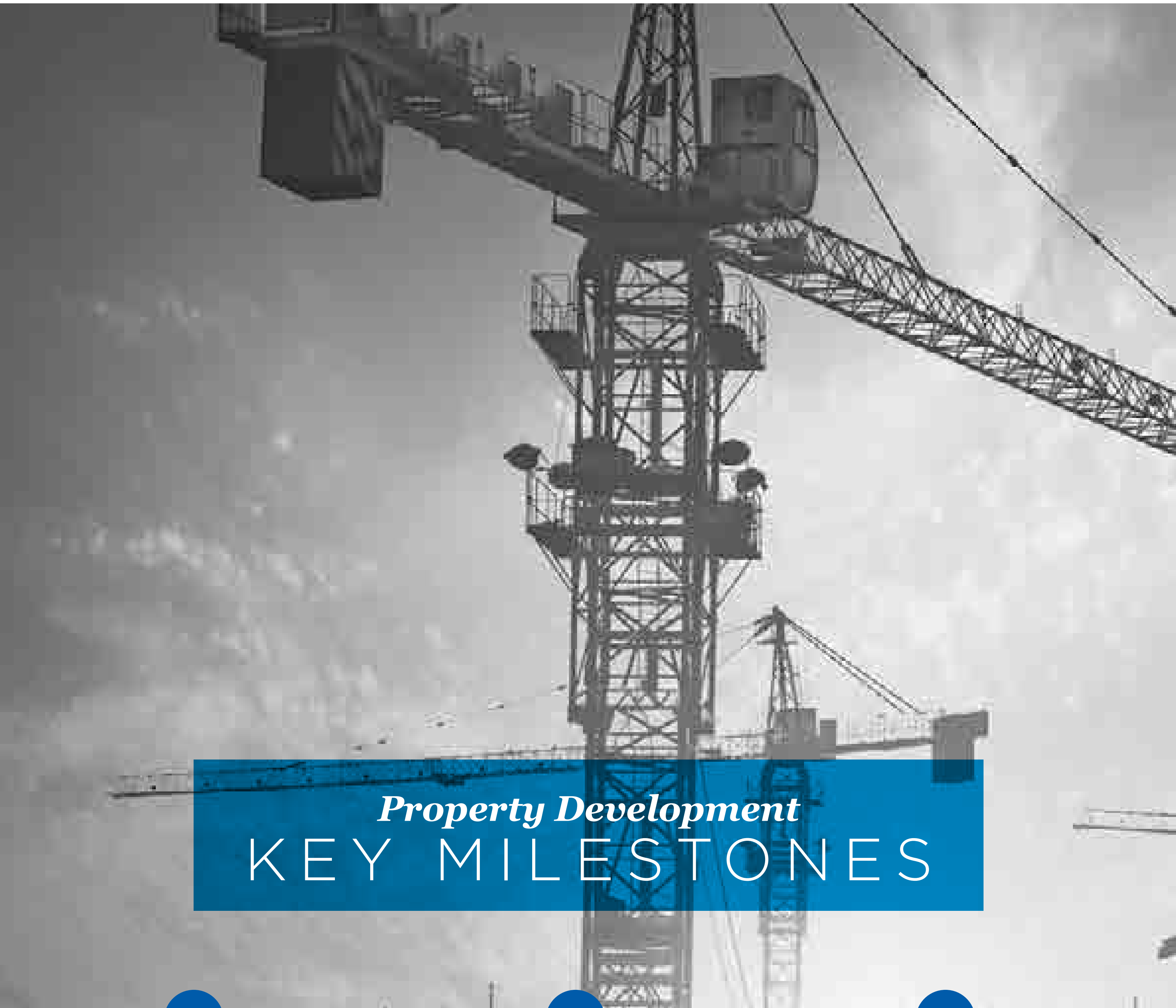
CONTRACT CATERING

WHERE ARE **WE HEADING?**

The Group has an ambitious forward-looking strategy. It expects contract catering, particularly in the healthcare sector, to grow considerably over the next few years. In particular, this is due to the various announced Government projects aimed at increasing the number of available hospital beds required to meet the needs of Malta's ageing population.

In 2015, Malta Healthcare Caterers Limited's contract to provide catering to Mater Dei, St. Luke's and Sir Paul Boffa hospitals was extended until 2022.

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

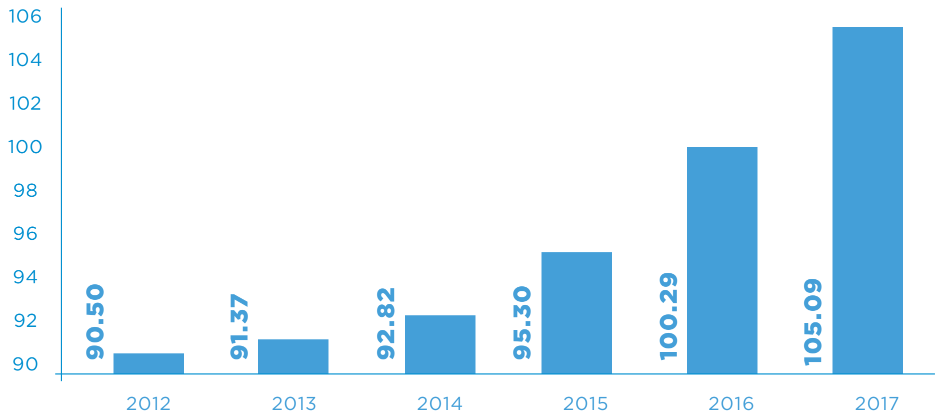
Completion of a block of luxury apartments in Mellieħa Bay

MALTA'S RESIDENTIAL PROPERTY MARKET

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

In the first quarter of 2017, the Property Price Index stood at 105.09, a rise of 4.8% over the corresponding period in 2016. The main driver was a rise of 9.6% in the Maisonette Price Index, compared with the corresponding quarter of 2016[15].

PROPERTY PRICE INDEX AS AT Q1 OF 2012 TO 2017



Source: NSO publication, Property Price Index and Property Volume Index: Q1/2017

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 number of foreigners living in Malta has increased from 3.3% of the population in 2006 to 7.1% in 2015[16]. 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.

Government schemes aimed at increasing foreign investment, such as the Global Residence Programme and the Individual Investor Programme, have been 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 forward at an accelerated pace. Developers are in fact shifting towards high-end properties with much higher sales prices than the national average.

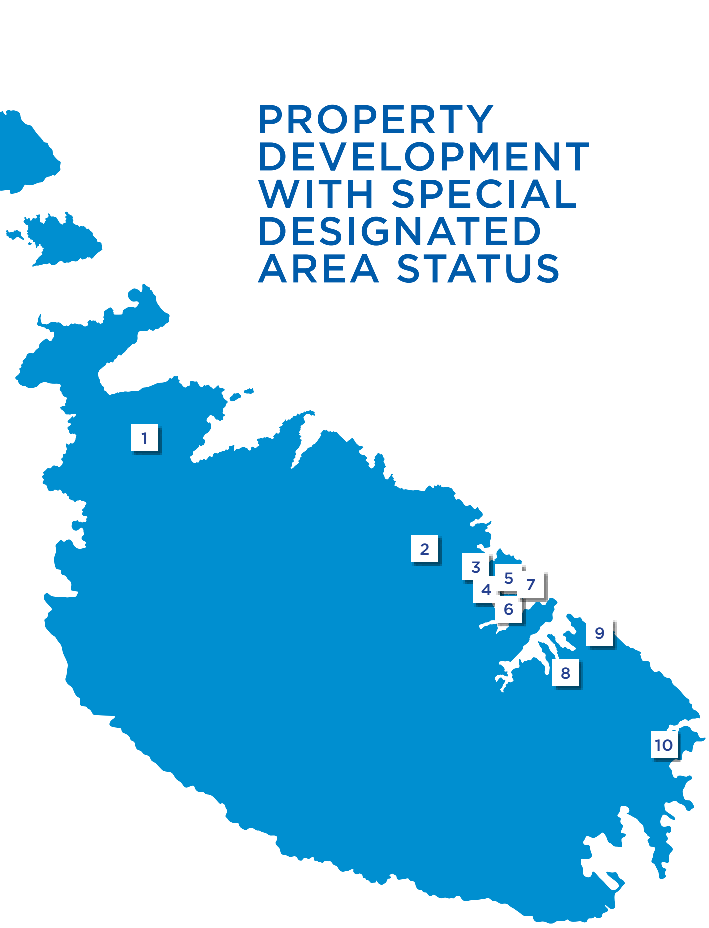
Sales to non-nationals have tended to be concentrated in new larger developments (typically enjoying Special Designated Area (SDA) status) and prime residence areas, where the conditions of acquisition are the same for Maltese and foreign residents. Property in SDAs is intended to provide top-end facilities 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
[16] National Statistics Office publication, Trends in Malta: 2016

There has also been a strong element of local investment in these locations, typically comprising around half of all purchases. Although the value per square meter of the individual units varies greatly – primarily because of location, apartment size and views – the properties in these developments command higher values when compared to the averages of other residential areas.

The average price per square meter in these developments, particularly in the northern harbour area is considerably higher than the national average. The latest properties coming on the market in these areas include additional blocks in Tigné Point, Pender gardens and Portomaso developments, as well as the Forum Residences[17], hitting sales prices of up to €9,000/square meter.

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. Manoel Island/ Tignè Point, limits of Gżira and Sliema
6. Metropolis Plaza, Gżira
7. Fort Cambridge Zone, Tignè
8. St. Angelo Mansions, Birgu
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 stand alone residential developments, typically situated along the Sliema/ St. Julian's seafront, and luxury villas and bungalows situated in prime locations such as Madliena and Mellieħa. The value per square meter of apartments in these categories would also be substantially higher than average prices.

[17] http://www.remax-malta.com/property/luxury-developments/forum-residences.aspx; http://www.theforum.com.mt/

OVERVIEW OF PROJECTS CARRIED OUT

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

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

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

PROPERTY DEVELOPMENT

WHERE ARE **WE HEADING?**

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

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

This development will cover a total area of 69,000 square meter. Although bounded by the sea along its northern perimeter, Bugibba has very few green public spaces. 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.

Additionally, the db Group is currently in an advanced planning phase to develop a €300 million db City Centre on the former ITS site in St. George's Bay, St. Julian's. Envisaged as a destination offering a total lifestyle experience, the City Centre will feature a three-storey shopping mall, a residential tower housing over 160 residences, office space, bars, restaurants, a casino, a café on the beach and a sky roof top bar, as well as the 5-star Hard Rock Hotel. The proposed Hard Rock Hotel is planned to span over 18 levels and will have 464 rooms, together with a state of the art spa and fitness centre, and indoor and outdoor pools. The project is expected to commence in 2018 and the Group anticipates that 2020 will mark the year of its completion.

CORPORATE SOCIAL RESPONSIBILTY

Since its inception, the db Group has been engaging in corporate social responsibility practices. The Group views itself as a member of the community rather than being extraneous to it and thus, the Group continually seeks to be active in the community by incorporating corporate social responsibility practices in its day-to-day operations.

ENHANCING AND PROTECTING THE ENVIRONMENT

The db Group makes every effort to minimise the environmental impact of its operations, whilst encouraging 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, to encourage guests to refill them from the various water dispensers around the hotels and resorts. Furthermore, branded recycled plastic water bottles are being sold to guests who use them during their stay and retain them as a souvenir thereafter.

Other waste management initiatives include the use of polycarbonate re-usable glasses and cups as opposed to disposable plastic ones, buying food items in bulk thereby reducing packaging, reducing the use of 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.

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

Finally, every unit of electricity and every litre of 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 future and to set targets on savings.

WATER SAVING

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

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

EDUCATION

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

Through induction training, employee handbooks and daily briefings, staff is fully geared to achieve the Group's eco targets. An Environmental Awareness Week has also been introduced in the yearly calendar of events.

As part of its environmental education drive, the Group also hosts school visits during which measures taken to protect the environment are shared with students.

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

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 northern part 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 around €100,000 through activities organised in its hospitality and leisure establishments.

Furthermore, in 2016, the Group donated weekend breaks to 30 families enrolled with Puttinu Cares, an NGO assisting families having children with cancer.

Donations were also given to Pink October, an NGO which raises awareness and funds on breast cancer. Part of the funds received from the sale of Sunday lunches, spa treatments and the sale of muffins especially made to commemorate Pink October day, have all contributed to these donations in 2016.

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. Consequently, the Group has a solid and transparent staff policy benefiting all staff members. In turn, this positive spirit is transmitted to clients and guests.

The Group is an equal opportunities employer; it values and treats its staff fairly and with respect. It ensures that no one is discriminated against, irrespective of age, sexuality, gender, ethnicity, religion, culture or disability.

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.

CORPORATE GOVERNANCE

THE AUDIT COMMITTEE

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

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

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

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

THE BOARD OF DIRECTORS OF THE ISSUER AND THE GUARANTOR

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

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

SD HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements

31 March 2017

CONTENTS

DIRECTOR’S REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2017.

Principal activities

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

The group operates in the local market and predominantly in hospitality, leisure and catering activities. It operates and owns the db Seabank Resort & SPA situated at Ghadira Bay, Mellieha and the db San Antonio Hotel & SPA situated in Bugibba. 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 associates which provide catering services to hospitals and retirement homes, together with other healthcare services; and associates which provide catering services primarily to Air Malta and other airlines operating from Malta. Other associated investments operate in the hospitality industry.

Review of the business

Total revenue for the group during the year under review reached €46.6 million resulting in a year on year increase of €4 million (a year on year increase of 9.3%). This incremental revenue reflected itself in an earnings before interest, depreciation, tax and amortisation (EBIDTA) which continues to show a positive trajectory, factoring in at €19.8 million as against €18.2 million registered for 2016 (a year on year increase of 9.3%). These results further consolidate the margin of profit or return on turnover generated at 42% in line with comparative numbers for 2016. The group continues to witness an increase across all its revenue streams, particularly in the hospitality and leisure sector. The main driver within this segment of revenues is the improved yields on hotel accommodation. These numbers reflect another record year in terms of profitability for the group.

The overall hotel portfolio occupancy continued on a strong footing, reaching 81% on an annual level against an 80% for the preceding year. The business spread across the entire 12 months of the year continues to gain strength and reflects trends being experienced over the past years. The Food and beverage and Merchandise components also registered positive growth rates of 11% and 4.7%.

These reported results are testimony of the excellent performance of the group that on one hand offers a specialised product within the tourist industry and our ability to exploit the crest of higher tourism figures to the Island. Our hospitality KPIs continue to outdo the average MHRA figures and reached into the top scales when compared to our competitors.

This performance led to an improvement in net profit of €1.1 million, factoring in at €6.7 million against comparative for 2016 of €5.6 million. Net finance costs at €3.4 million were €0.3 million below 2016 comparatives as a direct result of the reduction in external borrowing levels of the group coming from prior years.

The group’s balance sheet totalled €218 million, an increase of €57 million over the previous year. This is primarily accounted for through an increase of €60 million in investment property which relates to the acquisition of the land title in St Julian’s, Malta. The group’s vision for this investment is to develop a state of the art multi purpose development.

DIRECTOR'S REPORT – CONTINUED

Review of the business - continued

Cash and cash equivalents, net of overdrafts stood at €2.4 million, a marked improvement of €4 million over 2016 comparatives. This is reflected in a net interest rate cover of 5.7 multiple against a 4.9 multiple. As noted above in 2017, existing bank borrowings continued to decrease in line with the committed repayments. In the latter part of 2017, the group availed itself of new bank facilities for its initial investment in the St Julian's project.

The group's equity base increased by €9 million, to reach €66 million. This is reflected through higher revenue reserves due to the above noted profits and an increase in share capital of €3.5 million mainly related to the capitalisation of shareholder balances. The group's gearing ratio continues to fall, and now stands at 47.5% as against 50.1% for 2016.

Outlook for the financial year ending 2018

The outlook for 2018 continues to be characterised by a strong performance in the tourism sector. At a group level, we are cautiously optimistic of improving on the numbers registered for 2017.

The forthcoming year offers new challenges and opportunities to the group. The acquisition of the concession of the ITS site in St Julian's will see the group delivering a high end mixed used development incorporating a 5 star hotel, residential tower, large retail mall, a substantial number of public amenities and eateries together with 6 floors of underground parking to complement the development. This concession is however still subject to the securing of all the necessary development permits.

On 25 April 2017, SD Finance plc (the "issuer"), which is a subsidiary of SD Holdings Limited, issued an aggregate of €65,000,000 in bonds having a face value of €100 per bond, subject to minimum holding of €2,000 in bonds. The bonds have a coupon interest rate of 4.35% per annum as stated in the prospectus dated 27 March 2017. These bonds were eventually admitted for listing on the Malta Stock Exchange on 4 May 2017. SD Holdings Limited is the guarantor of these bonds.

In accordance with the provisions of the above noted prospectus, the proceeds from the bond issue have been advanced by the issuer to undertakings forming part of the db Group for the purpose of re-financing existing bank facilities within the group, financing the redemption of redeemable preference shares of a fellow subsidiary of the issuer and for the general corporate funding purposes of the group.

Financial risk management

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

DIRECTOR'S REPORT – CONTINUED

Results and dividends

The consolidated financial results are set out on page 104. The directors do not recommend the payment of a dividend.

Directors

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

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

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

Statement of directors' responsibilities for the financial statements

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

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

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

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

DIRECTOR'S REPORT - CONTINUED

The financial statements of SD Holdings Limited for the year ended 31 March 2017 are included in the Annual Report and Consolidated Financial Statements 2017, which is published in hard-copy printed form and made available on the group's website. The directors of the entities constituting the db Group are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

Robert Debono	Arthur Gauci
Director	Director

Registered office:
Seabank Hotel
Marfa Road
Għadira, Malta

31 July 2017

Independent auditor's report

To the Shareholders of SD Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- SD Holdings Limited's group and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's financial position as at 31 March 2017, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

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

What we have audited

SD Holdings Limited's financial statements, set out on pages 102 to 156, comprise:

- the consolidated and parent company statements of financial position as at 31 March 2017;
- the consolidated and parent company income statements and statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

31 July 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 March

		Group		Company	
		2017	2016	**2017**	2016
	Notes	€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**133,715,719**	136,666,533	-	-
Investment property	5	**60,140,267**	-	-	-
Intangible assets	6	**727,826**	969,582	-	-
Investments in subsidiaries	7	**-**	-	**16,522,812**	16,271,612
Investments in associates	8	**5,251,745**	4,356,171	**900**	900
Deferred tax assets	9	**5,101,464**	7,786,800	-	-
Trade and other receivables	10	**97,393**	327,816	-	-
Total non-current assets		**205,034,414**	150,106,902	**16,523,712**	16,272,512
Current assets					
Inventories	11	**1,165,391**	916,643	-	-
Trade and other receivables	10	**8,502,370**	8,787,160	**1,558,819**	1,376,363
Cash and cash equivalents	12	**2,896,329**	507,872	**2,026,198**	110,835
Total current assets		**12,564,090**	10,211,675	**3,585,017**	1,487,198
Total assets		**217,598,504**	160,318,577	**20,108,729**	17,759,710

STATEMENTS OF FINANCIAL POSITION – CONTINUED

		As at 31 March			
		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**4,000,000**	520,000	**4,000,000**	520,000
Revaluation reserve	14	**22,585,765**	22,585,765	**-**	-
Hedging reserve	15	**(34,727)**	(177,906)	**-**	-
Other reserves	16	**3,377,359**	2,000,700	**-**	-
Retained earnings/(accumulated losses)		**26,216,596**	20,720,873	**(19,910)**	(555)
		56,144,993	45,649,432	**3,980,090**	519,445
Non-controlling interest	17	**9,552,805**	11,047,133	**-**	-
Total equity		**65,697,798**	56,696,565	**3,980,090**	519,445
Non-current liabilities					
Trade and other payables	18	**56,366,235**	6,490,965	**-**	-
Borrowings	19	**43,611,030**	50,965,117	**1,218,851**	576,864
Amounts owed to ultimate shareholder	20	**299,493**	3,779,493	**299,493**	3,779,493
Deferred Government grants	21	**23,283**	32,104	**-**	-
Deferred tax liabilities	9	**4,213,646**	3,886,053	**-**	-
Total non-current liabilities		**104,513,687**	65,153,732	**1,518,344**	4,356,357
Current liabilities					
Trade and other payables	18	**27,306,501**	26,803,466	**14,304,064**	12,741,993
Current tax liabilities		**285,073**	180,619	**-**	-
Borrowings	19	**19,002,266**	10,208,095	**306,231**	141,915
Deferred Government grants	21	**8,821**	8,821	**-**	-
Derivative financial instruments	22	**53,426**	273,702	**-**	-
Other loans	23	**730,932**	993,577	**-**	-
Total current liabilities		**47,387,019**	38,468,280	**14,610,295**	12,883,908
Total liabilities		**151,900,706**	103,622,012	**16,128,639**	17,240,265
Total equity and liabilities		**217,598,504**	160,318,577	**20,108,729**	17,759,710

The notes on pages 110 to 156 are an integral part of these financial statements.

The financial statements on pages 102 to 156 were authorised for issue and signed by the board of directors on 31 July 2017 and were signed on its behalf by:

Robert Debono
Director

Arthur Gauci
Director

INCOME STATEMENTS

		Year ended 31 March			
		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
Revenue	24	**46,623,500**	42,647,437	**2,458**	1,800
Cost of sales		**(32,119,532)**	(28,711,784)	**-**	-
Gross profit		14,503,968	**13,935,653**	2,458	**1,800**
Selling expenses		**(340,679)**	(399,795)	**-**	-
Administrative expenses		**(2,208,616)**	(2,091,671)	**(21,813)**	(2,246)
Other operating income	27	**314,147**	266,386	**-**	-
Operating profit/(loss)	28	12,268,820	**11,710,573**	(19,355)	**(446)**
Finance income	28	**3,241**	3,319	**71,896**	70,895
Finance costs	28	**(3,431,092)**	(3,697,123)	**(71,896)**	(70,929)
Share of results of associates	8	**1,145,574**	423,804	**-**	-
Profit/(loss) before tax		**9,986,543**	8,440,573	**(19,355)**	(480)
Tax expense	29	**(3,231,830)**	(2,813,627)	**-**	-
Profit/(loss) for the year		**6,754,713**	5,626,946	**(19,355)**	(480)
Profit/(loss) attributable to:					
Owners of the parent		**6,709,344**	5,585,921	**(19,355)**	(480)
Non-controlling interest	17	**45,369**	41,025	**-**	-
		6,754,713	5,626,946	**(19,355)**	(480)

The notes on pages 110 to 156 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			
		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
Profit/(loss) for the year		**6,754,713**	5,626,946	**(19,355)**	(480)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Revaluation surplus on property arising during the year, net of deferred tax	14	**-**	22,585,765	**-**	-
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges, net of deferred tax	15	**143,179**	110,185	**-**	-
Total other comprehensive income		**143,179**	22,695,950	**-**	-
Total comprehensive income for the year		**6,897,892**	28,322,896	**(19,355)**	(480)
Total comprehensive income attributable to:					
Owners of the parent		**6,852,523**	28,281,871	**-**	(480)
Non-controlling interest	17	**45,369**	41,025	**-**	-
		6,897,892	28,322,896	**(19,355)**	(480)

The notes on pages 110 to 156 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY - CONTINUED

Group		Attributable to owners of the parent						
		Share capital	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Non-controlling interest	Total
	Notes	€	€	€	€	€		€
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 surplus on property arising during the year, net of deferred tax	14	-	22,585,765	-	-	-	-	22,585,765
Cash flow hedges, net of deferred tax	15	-	-	110,185	-	-	-	110,185
Total other comprehensive income		-	22,585,765	110,185	-	-	-	22,695,950
Total comprehensive income for the year		-	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

STATEMENTS OF CHANGES IN EQUITY – CONTINUED

Group		Attributable to owners of the parent						
		Share capital	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Non-controlling interest	Total
	Notes	€	€	€	€	€		€
Balance at 1 April 2015		520,000	22,585,765	(177,906)	2,000,700	20,720,873	11,047,133	56,696,565
Comprehensive income								
Profit for the year		-	-	-	-	6,709,344	45,369	6,754,713
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	143,179	-	-	-	143,179
Total comprehensive income		-	-	143,179	-	6,709,344	45,369	6,897,892
Transactions with owners								
Issue of shares	13	3,480,000	-	-	-	-	-	3,480,000
Redemption of redeemable non-cumulative preference shares of a subsidiary attributable to non-controlling interest	17	-	-	-	-	-	(1,376,659)	(1,376,659)
Transfer to capital redemption reserve	16	-	-	-	1,376,659	(1,376,659)	-	-
Acquisition of non-controlling interest – excess of carrying amount recognised in equity	17	-	-	-	-	163,038	(163,038)	-
Total transactions with owners		3,480,000	-	-	1,376,659	(1,213,621)	(1,539,697)	2,103,341
Balance at 31 March 2017		**4,000,000**	**22,585,765**	**(34,727)**	**3,377,359**	**26,216,596**	**9,552,805**	**65,697,798**

STATEMENTS OF CHANGES IN EQUITY – CONTINUED

Company

	Note	Share capital	Accumulated losses	Total
		€	€	€
Balance at 1 April 2015		520,000	(75)	519,925
Comprehensive income				
Loss for the year.				
- total comprehensive income		-	(480)	(480)
Balance at 31 March 2016		520,000	(555)	519,445
Comprehensive income				
Loss for the year.				
- total comprehensive income		-	(19,355)	(19,355)
Transactions with owners				
Issue of shares	13	3,480,000	-	3,480,000
Balance at 31 March 2017		**4,000,000**	**(19,910)**	**3,980,090**

The notes on pages 110 to 156 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 March			
		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
Cash flows from operating activities					
Cash generated from operations	31	**25,261,026**	19,806,898	1,361,351	412,053
Dividends received	8	**250,000**	-	-	-
Net interest (paid)/received		**(3,427,851)**	(3,693,804)	(1,091)	48,082
Tax (paid)/refunded		**(191,544)**	(123,965)	-	300
Net cash generated from operating activities		**21,891,631**	15,989,129	1,360,260	460,435
Cash flows from investing activities					
Purchase of property, plant and equipment		**(7,145,268)**	(10,271,600)	-	-
Proceeds from disposal of property, plant and equipment		**11,000**	-	-	-
			9,764,543		
Acquisition of investment property		**(9,808,990)**	-	-	-
Consideration paid for investments in subsidiaries		**(4,000,000)**	-	(251,200)	-
Net cash used in investing activities		**(20,943,258)**	(10,271,600)	(251,200)	-
Cash flows from financing activities					
Proceeds from bank borrowings	19	**10,766,237**	-	1,000,000	-
Repayments of bank borrowings	19	**(7,713,933)**	(6,082,578)	(193,697)	(127,634)
Net cash generated from/(used in) financing activities		**3,052,304**	(6,082,578)	806,303	(127,634)
Net movements in cash and cash equivalents		**4,000,677**	(365,049)	1,915,363	332,801
Cash and cash equivalents at beginning of year		**(1,543,604)**	(1,178,555)	110,835	(221,966)
Cash and cash equivalents at end of year	12	**2,457,073**	(1,543,604)	2,026,198	110,835

The notes on pages 110 to 156 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

As at 31 March 2017, the group's current liabilities exceeded its current assets by €27,648,085 after adjusting for non-cash items amounting to €7,174,844 in aggregate, which include advance deposits from tour operators, loans to be set-off against suppliers discounts, deferred Government grants and derivative financial instruments. As at 31 March 2017, also the company's current liabilities exceed its current assets by €10,051,063 after adjusting for advance deposits from other third parties amounting to €974,215. In this respect, related parties have undertaken not to request repayment of amounts due to them until alternative financing is available. Furthermore, after also considering the financing options available (refer to Note 2.1(c)), the group's shareholder has undertaken to continue to support the group and to provide the necessary finance and guarantees to enable the group to meet any obligations in full.

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

During the current financial year, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 April 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 April 2016. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 9, 'Financial instruments', 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. 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 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the group also adopting IFRS 15. The group is assessing the impact of IFRS 16.

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 1.6[a] – Intangible assets).

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

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

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 1.23).

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.

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

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

1.5 Investment property

Investment property comprises leasehold property acquired during the year.

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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

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

1.6 Intangible assets

(a) Goodwill

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

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

(b) Franchise rights

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

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

1. Summary of significant accounting policies - continued

1.7 Impairment of non-financial assets

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

1.8 Financial assets

Classification

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

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

Recognition and measurement

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

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

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 1.11.

1.9 Loans and advances

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

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

1.10 Inventories

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

1. Summary of significant accounting policies - continued

1.11 Trade and other receivables

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

1.12 Cash and cash equivalents

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

1.13 Share capital

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

1.14 Financial liabilities

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

1.15 Trade and other payables

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

1. Summary of significant accounting policies - continued

1.16 Borrowings

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

1.17 Deferred Government grants

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

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

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

1.18 Offsetting financial instruments

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

1.19 Derivative financial instruments and hedging

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

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

1. Summary of significant accounting policies - continued

1.20 Current and deferred tax

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

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

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

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

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

1.21 Revenue recognition

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

(a) Sales of goods

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

(b) Sales of services

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

1. Summary of significant accounting policies - continued

1.21 Revenue recognition - continued

(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.

1.22 Operating and finance leases

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

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

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

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

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

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

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

1.23 Borrowing costs

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

1.24 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk
(i) Foreign exchange risk

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

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

(ii) Fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates represent, bank factoring loans (Note 19). 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 19) and amounts owed by subsidiary also subject to variable rates (refer to Note 18). 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 19) which expose the group to cash flow interest rate risk. In prior years, a group undertaking entered into a swap agreement to manage exposures arising from variable interest rates on a particular bank loan. 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Loans and receivables category:				
Trade and other receivables (Note 10)	**8,599,763**	9,114,976	**1,558,819**	1,376,363
Cash and cash equivalents (Note 12)	**2,896,329**	507,872	**2,026,198**	110,835
	11,496,092	9,622,848	**3,585,017**	1,487,198

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

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

As at 31 March 2017 and 2016 no significant trade receivables were considered to be impaired.

At 31 March 2017, trade receivables amounting to €1,678,166 (2016: €2,490,287) 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 2017, Sky Gourmet Malta Limited (one of the group's associates), had a receivable of €973,761 (2016: €682,670) from Air Malta p.l.c. regarding catering services. Such outstanding amounts are being honoured in line with agreed repayment terms and management does not expect any losses from non-performance of this customer.

(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 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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

At the end of the reporting period, the group and the company reported a net current liability position of €27,648,085 (after adjusting for non-cash items amounting to €7,174,844) and €10,051,063 (after adjusting for non-cash items amounting to €974,215) respectively. After excluding bank loans amounting to €18,563,010, which will be refinanced after the end of the reporting period (as disclosed in Note 35), the shortfall goes down to €9.1 million. Considering the strong EBITDA generated by the group's principal operations of €18.7 million for 31 March 2017, which is expected to be enhanced in the forthcoming years, such creditors should be paid from the cash generated from operating activities of the forthcoming year. After considering the financing options available (disclosed in Notes 19 and 35) and the support from related parties and the shareholder, the directors are confident that the group and the company are in a position to meet commitments as and when they fall due.

2. Financial risk management - continued

2.1 Financial risk factors - continued

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

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
Group					
At 31 March 2017					
Bank loans and overdrafts	20,713,787	9,508,166	23,991,105	14,397,784	68,610,842
Due to Government in relation to purchase of land	1,429,571	1,429,571	5,850,223	171,657,525	180,366,890
Trade and other payables	20,924,836	-	-	-	20,924,836
At 31 March 2016					
Bank loans and overdrafts	12,211,724	10,151,556	26,080,275	21,927,488	70,371,043
Trade and other payables	22,484,880	-	-	-	22,484,881
Company					
At 31 March 2017					
Bank borrowings	388,626	388,626	956,994	-	1,734,246
Trade and other payables	13,329,849	-	-	-	13,329,849
At 31 March 2016					
Bank borrowings	174,325	174,325	467,133		815,783
Trade and other payables	12,741,993	-	-	-	12,741,993

With respect to the group's derivative financial liabilities disclosed in Note 22, the balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

2. Financial risk management - continued

2.2 Capital risk management

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

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

	Group	
	2017	2016
	€	€
Total external borrowings	**62,613,296**	61,173,212
Less: cash at bank and in hand	**(2,896,329)**	(507,872)
Net debt	**59,716,967**	60,665,340
Equity – as shown in the consolidated statement of financial position	**65,697,798**	56,696,565
Amounts owed to ultimate shareholder earmarked as additional capital	**299,493**	3,779,493
Total equity	**65,997,291**	60,476,058
Total capital	**125,714,258**	121,141,398
Net debt/total capital	**47.5%**	50.1%

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

2.3.1 Financial instruments carried at fair value

The group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 22).

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 22), 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 2017 and 2016 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, short-term borrowings and other short-term loans, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current payables and borrowings at floating 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 periodically by the directors on 31 December on the basis of professional advice, which considers current market prices in an active market for all properties.

4. Property, plant and equipment

Group

	Land & buildings	Assets in course of construction and payments on account	Computer equipment	Furniture, fixtures & fittings	Motor vehicles	Plant, machinery & operational equipment	Audio visual equipment	Total
	€	€	€	€	€	€	€	€
At 1 April 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
Commissioned assets	-	(232,102)	-	232,102	-	-	-	-
Revaluation surplus (Note 14)	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	579,226	11,101,942	78,803	152,011,498
Accumulated depreciation	-	-	(276,218)	(10,850,361)	(365,475)	(3,783,920)	(68,991)	(15,344,965)
Net book amount	89,871,856	2,150,908	17,310	37,084,874	213,751	7,318,022	9,812	136,666,533
Year ended 31 March 2017								
Opening net book amount	89,871,856	2,150,908	17,310	37,084,874	213,751	7,318,022	9,812	136,666,533
Additions	628,592	134,173	20,859	1,745,104	135,268	1,132,007	-	3,796,003
Reclassifications to investment property (Note 5)	-	(540,847)	-	-	-	-	-	(540,847
Commissioned assets	21,500	(1,018,153)	-	996,653	-	-	-	-
Disposals	-	-	-	-	(20,000)	-	-	(20,000)
Depreciation charge	(525,911)	-	(35,126)	(4,655,256)	(87,662)	(889,071)	(4,944)	(6,197,970)
Depreciation release on disposals	-	-	-	-	12,000	-	-	12,000
Closing net book amount	**89,996,037**	**726,081**	**3,043**	**35,171,375**	**253,357**	**7,560,958**	**4,868**	**133,715,719**
At 31 March 2017								
Cost or valuation	90,521,948	726,081	314,387	50,676,992	694,494	12,233,949	78,803	155,246,654
Accumulated depreciation	(525,911)	-	(311,344)	(15,505,617)	(441,137)	(4,672,991)	(73,935)	(21,530,935)
Net book amount	**89,996,037**	**726,081**	**3,043**	**35,171,375**	**253,357**	**7,560,958**	**4,868**	**133,715,719**

4. Property, plant and equipment - continued

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

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

Fair valuation of property

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

Valuations were made on the basis of open market value taking cognisance of the specific location of the respective 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.

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

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

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

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

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

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

4. Property, plant and equipment - continued

Valuation processes

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

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

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

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

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

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

The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the 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

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2017 and 2016

Description by class based on highest and best use	Fair value as at year end €000	Valuation technique	Significant unobservable input	Range of unobservable Inputs
Current use as commercial premises (hotel operations)	**88,600**	DCF	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 2017 and 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:

	2017	2016
	€	€
Cost	**67,709,683**	67,059,591
Accumulated depreciation	**(3,098,525)**	(2,572,614)
Net book amount	**64,611,158**	64,486,977

5. Investment Property

	Group	
	2017	2016
	€	€
Year ended 31 March		
Opening cost and carrying amount	**-**	-
Additions	**59,599,420**	-
Reclassification from property, plant and equipment (Note 4)	**540,847**	-
Closing cost and carrying amount	**60,140,267**	-

5. Investment Property - continued

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

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

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

6. Intangible assets

Franchise license rights

	Group	
	2017	2016
	€	€
Year ended 31 March		
Opening net book amount	**969,582**	1,211,338
Amortisation charge	**(241,756)**	(241,756)
Closing net book amount	**727,826**	969,582
At 31 March		
Cost	**2,965,266**	2,965,266
Accumulated amortisation	**(2,237,440)**	(1,995,684))
Net book amount	**727,826**	969,582

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

7. Investments in subsidiaries

	Company	
	2017	2016
	€	€
Year ended 31 March		
Opening cost and carrying amount	**16,271,612**	16,271,612
Additions	**251,200**	-
Closing cost and carrying amount	**16,522,812**	16,271,612

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	
			2017	2016
DB Catering and Events Limited	San Antonio Hotel and Spa Triq it-Turisti, St. Paul's Bay, Malta	Ordinary shares	**100%**	100%
DB San Gorg Property Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	**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	**100%**	98.6%
SA Marketing Company Limited	Grand Hotel Mercure San Antonio Tourists Street, St. Paul's Bay, Malta	Ordinary shares	**100%**	99.4%-

7. Investments in subsidiaries - continued

	Registered Office	Class of shares held	Percentage of shares held 2017	Percentage of shares held 2016
SD Finance plc	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	-
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	98.8%
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	93.8%
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	98.8%
		Preference shares	**32.8%**	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	**100%**	99.9%

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 shareholding in Hotel San Antonio Limited is held equally between SD Holdings Limited and Seabank Hotel and Catering Limited. The shareholdings in J.D. Catering Limited, S.R.G.N. Company Limited and Sea Port Franchising Limited are held through Seabank Hotel and Catering Limited, whilst the shareholdings in Evergreen Travel Limited and SA Marketing Company Limited are held through Hotel San Antonio Limited.

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

8. Investments in associates

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Year ended 31 March				
Opening carrying amount	**4,356,171**	3,932,367	**900**	900
Share of results	**1,145,574**	423,804	**-**	
Dividends received	**(250,000)**	-	**-**	-
Closing carrying amount	**5,251,745**	4,356,171	**900**	900
At 31 March				
Cost	**1,675,763**	1,675,763	**900**	900
Share of results and reserves	**3,575,982**	2,680,408	**-**	-
Closing carrying amount	**5,251,745**	4,356,171	**900**	900

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.

8. 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 2017	2016
DP Road Construction Limited	Sea Bank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary A shares	**45.0%**	45.0%
Malta Healthcare Caterers Limited	BLB 009Y, Bulebel, Industrial Estate, Zejtun, Malta	Ordinary shares	**50%**	49.4%
Porto Azzurro Limited	Porto Azzuro Limited, Ridott Street, Xemxija Hill, St. Paul's Bay, Malta	Ordinary shares	**33.3%**	32.9%
Porto Azzurro Resort Club Limited	Porto Azzuro Limited, Ridott Street, Xemxija Hill, St. Paul's Bay, Malta	Ordinary shares	**33.3%**	32.9%
Sky Gourmet Malta Inflight Services Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	29.6%
Sky Gourmet Malta Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	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.

8. Investments in associates - continued

Disclosure requirements emanating from IFRS 12 ‘Disclosure of interests in other entities’

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

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

The statutory financial year end for the Malta Healthcare Caterers Limited Group is 31 December and accordingly the financial information made available to shareholders relates to the financial year ended 31 December 2016. 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 2016, which year end is different from that of the reporting entity.

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

Summarised balance sheets

	Malta Healthcare Caterers Limited		Sky Gourmet Malta Limited	
	As at 31 December		As at 31 March	
	2016	2015	2017	2016
	€	€	€	€
Non-current assets	**1,996,653**	2,053,984	**636,154**	795,229
Current assets	**18,715,360**	12,704,413	**2,135,619**	1,698,157
Non-current liabilities	**(233,964)**	(386,376)	**(43,856)**	-
Current liabilities	**(16,266,129)**	(11,925,124)	**(1,601,068)**	(1,628,186)
Net assets	**4,211,920**	2,446,897	**1,126,849**	865,200

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

8. Investments in associates - continued

Summarised statements of comprehensive income

	Malta Healthcare Caterers Limited Year ended 31 December		Sky Gourmet Malta Limited Year ended 31 March	
	2016	**2015**	**2017**	**2016**
	€	€	**€**	€
Revenue	**34,241,628**	25,127,724	**5,620,384**	5,684,832
Profit/(loss) for the year - total comprehensive income	**1,765,023**	847,607	**261,649**	(226,575)

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
	€	€	€	€
2017				
Porto Azzurro Limited	797,445	(549,781)	418,213	127,852
Sky Gourmet Malta Inflight Services Limited	120,260	(2,369)	482,261	5,792
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

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

9. Deferred taxation

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

	Group	
	2017	2016
	€	€
Year ended 31 March		
At beginning of year	3,900,747	9,382,400
Credited/(charged) to profit or loss:		
Temporary differences on intra-group transactions (Note 29)	9,266	9,266
Temporary differences on property, plant and equipment and unutilised tax credits (Note 29)	(2,936,680)	(2,632,475)
Other temporary differences (Note 29)	(8,418)	-
Charged to other comprehensive income:		
Tax effect of re-measurement of derivatives (Note 15)	(77,097)	(59,330)
Tax effect of revaluation on property, plant and equipment (Note 14)	-	(2,799,114)
At end of year	887,818	3,900,747

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

The balance at 31 March represents:

	Group	
	2017	2016
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	1,395,776	2,248,456
Unabsorbed tax losses	791,852	791,852
Investment tax credits	7,537,808	9,146,893
Taxable temporary differences arising from depreciation of property, plant and equipment	(4,981,138)	(4,506,223)
Taxable temporary differences arising from revaluation of property, plant and equipment	(2,799,114)	(2,799,114)
Taxable temporary differences arising from intra-group transactions	(127,289)	(136,555)
Deductable temporary differences arising from derivative financial instruments	18,699	95,796
Deferred taxation arising on transfer of property on acquisition of subsidiary	(950,384)	(950,384)
Other temporary differences	1,608	10,026
	887,818	3,900,747
Disclosed as follows		
Deferred tax assets	5,101,464	7,786,800
Deferred tax liabilities	(4,213,646)	(3,886,053)
	887,818	3,900,747

10. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-Current				
Finance lease receivable (net of unearned finance income)	**97,393**	*327,816*	**-**	-
Current				
Trade receivables	**5,876,676**	6,265,388	**-**	-
Payments in advance to suppliers	**285,022**	212,080	**-**	-
Finance lease receivable (net of earned finance income)	**230,423**	**230,423**	**-**	-
Amounts owed by subsidiaries	**-**	-	**1,311,717**	1,299,096
Amounts owed by associates	**709,570**	277,570	**175,000**	-
Amounts owed by other related parties	**121,919**	124,447	**-**	-
Other receivables	**694,146**	800,293	**-**	6,372
Indirect taxation	**112,480**	105,938	**206**	-
Prepayments and accrued income	**472,139**	771,021	**71,896**	70,895
	8,502,370	8,787,160	**1,558,819**	1,376,363

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

	Group	
	2017	2016
	€	€
Gross finance lease receivables:		
Not later than one year	**233,738**	233,743
Later than one year and not later than five years	**97,393**	331,136
	331,131	564,879
Unearned future finance income	**(3,320)**	(6,640)
Net investment in finance leases	**327,811**	558,239

	2017	2016
	€	€
The net investment in finance leases is analysed as follows:		
Not later than one year	**230,418**	230,423
Later than one year and not later than five years	**97,393**	327,816
	327,811	558,239

Amounts receivable from finance lease debtors are subject to an effective interest rate of 1% (2016: 1%).

11. Inventories

	Group	
	2017	2016
	€	€
Food and beverage	**625,914**	490,228
Merchandise	**318,616**	257,695
Other goods for resale	**71,904**	60,919
Consumables and other inventory	**148,957**	107,801
	1,165,391	916,643

12. Cash and cash equivalents

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

	Group		Company	
	2017	2016	2016	2015
	€	€	€	€
Cash at bank and in hand	**2,896,329**	507,872	**2,026,198**	110,835
Bank overdrafts (Note 19)	**(439,256)**	(2,051,476)	**-**	-
	2,457,073	(1,543,604)	**2,026,198**	110,835

13. Share capital

	Company	
	2017	2016
	€	€
Authorised		
5,000,000 (2016: 520,000) Ordinary shares of €1 each	**5,000,000**	520,000
Issued and fully paid		
4,000,000 (2016: 520,000) Ordinary shares of €1 each	**4,000,000**	520,000

By virtue of a resolution dated 16 October 2016, the company's shareholder approved an increase in the authorised issued share capital to €5,000,000 divided into 5,000,000 ordinary shares having a nominal value of €1 each. Subsequently, the company's shareholder approved the issue and allotment of €3,480,000 fully paid up ordinary shares of €1 each for an aggregate value of €3,480,000. The shares issued were in consideration for the capitalisation of a shareholder's loan for an amount of €3,480,000 (refer to Note 20).

14. Revaluation reserve

	Group 2017	Group 2016
	€	€
Surplus arising on fair valuation of property		
At beginning of year	**22,585,765**	-
Revaluation surplus arising during the year (Note 4)	**-**	25,384,879
Deferred tax on revaluation surplus arising during the year (Note 9)	**-**	(2,799,114)
At end of year	**22,585,765**	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.

15. Hedging reserve

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

Interest rate swaps	Group 2017	Group 2016
	€	€
At 1 April		
Gross amounts of losses	**273,702**	443,217
Deferred income tax	**(95,796)**	(155,126)
	177,906	288,091
Movements in year ended 31 March		
Net losses from changes in fair value	**1,949**	41,533
Deferred income tax	**(682)**	(14,537)
	1,267	26,996
Reclassified to profit or loss as a reclassification adjustment	**(222,225)**	(211,048)
Deferred income tax	**77,779**	73,867
	(144,446)	(137,181)
At 31 March		
Gross amounts of losses	**53,426**	273,702
Deferred income tax	**(18,699)**	(95,796)
	34,727	177,906

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

The net fair value losses as at 31 March 2017 and 2016 on open interest rate swap agreements which hedge anticipated future interest rate fluctuations will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to one year from the end of the reporting period.

16. Other reserves

	Group	
	2017	2016
	€	€
Capital redemption reserve	**2,075,474**	698,815
Incentives and benefits reserve	**1,301,885**	1,301,885
	3,377,359	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 Maltese Companies Act (Cap. 386). The capital redemption reserve may be applied in paying up unissued shares to be issued to members as fully paid bonus shares. The redemptions taking place during the current financial years are disclosed in Note 17, since the preference shares redeemed are attributable to non-controlling interest.

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

17. Non-controlling interest

	Group	
	2017	2016
	€	€
At beginning of year	**11,047,133**	11,006,108
Share of results of subsidiaries	**45,369**	41,025
Redemption of non-cumulative preference shares of a subsidiary attributable to non-controlling interest	**(1,376,659)**	-
Acquisition of non-controlling interest – excess of carrying amount recognised in equity	**(163,038)**	-
At end of year	**9,552,805**	11,047,133

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

As at 31 March 2017, non-controlling interest represents only the carrying amount of non-cumulative preference shares of a subsidiary.

18. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current liabilities				
Due to Government in relation to purchase of land	**48,360,859**	-	**-**	-
Deferred income arising on long term rights of use sales	**8,005,376**	6,490,965	**-**	-
	56,366,235	6,490,965	**-**	-
Current liabilities				
Trade payables	**7,096,251**	6,226,902	**-**	-
Due to Government in relation to purchase of land	**1,429,571**	-	**-**	-
Payables and accruals with respect to capital expenditure	**1,517,794**	4,867,059	**-**	-
Advance deposits from tour operators and other third parties	**6,381,665**	4,318,586	**974,215**	3,327,407
Amounts owed to shareholders	**1,182,672**	472,939	**-**	-
Amounts owed to subsidiaries	**-**	-	**13,074,201**	12,740,778
Amounts owed to associates	**3,142,191**	2,249,338	**254,392**	-
Amounts owed to other related parties	**1,683,840**	474,461	**-**	-
Amounts owed to third parties	**-**	4,000,000	**-**	-
Other payables	**218,687**	311,996	**100**	100
Indirect taxation and social security	**561,147**	389,839	**-**	-
Accruals and deferred income	**4,092,683**	3,492,346	**1,156**	1,115
	27,306,501	26,803,466	**14,304,064**	12,741,993

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

	Group	
	2016	2015
	€	€
Due within 1 year	**1,429,571**	-
Due between 1 and 2 years	**1,429,571**	-
Due between 2 and 5 years	**5,850,223**	-
Due after more than 5 years	**171,657,527**	-
	180,366,892	-
Less: imputed interest component	**(130,576,462)**	-
	49,790,430	-

Amounts owed to subsidiaries represent financing obtained by the parent company from other group undertakings to finance various group projects including the acquisition of Hotel San Antonio Limited in prior years and subsequent developments at the same hotel. Such advances are unsecured and repayable on demand. However, the respective subsidiaries have undertaken not to request repayment of amounts due until alternative financing is available. Included in such advances are offsettable amounts of €1,525,082 (2016: €718,779) owed by a subsidiary to the parent company which are subject to interest at 5.8% (2016: 5.8%). All the other amounts are interest free.

19. Borrowings

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current				
Bank loans	**43,611,030**	50,965,117	**1,218,851**	576,864
Current				
Bank overdrafts	**439,256**	2,051,476	**-**	-
Factoring loans	**-**	47,176	**-**	-
Bank loans	**18,563,010**	8,109,443	**306,231**	141,915
	19,002,266	10,208,095	**306,231**	141,915
Total borrowings	**62,613,296**	61,173,212	**1,525,082**	718,779

The group's and the company's banking facilities as at 31 March 2017 amounted to €69,603,952 (2016: €64,125,948) and €2,500,000 (2016: €1,500,000) respectively. Such bank facilities are secured by:

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

The interest rate exposure of the borrowings is as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Total borrowings:				
At fixed rates	**-**	47,176	**-**	-
At floating rates	**62,613,296**	61,126,036	**1,525,082**	718,779
	62,613,296	61,173,212	**1,525,082**	718,779

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

	Group		Company	
	2017	2016	2017	2016
Bank overdrafts	**4.5%**	5.0%	**5.8%**	5.8%
Factoring loans	**-**	8.2%	**-**	-
Bank loans	**3.5%**	4.1%	**5.8%**	5.8%

19. Borrowings - continued

Maturity of non-current borrowings:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Between 1 and 2 years	**8,218,856**	8,226,400	**328,821**	144,907
Between 2 and 5 years	**21,648,986**	22,259,472	**890,030**	431,957
Over 5 years	**13,743,188**	20,479,245	**-**	-
	43,611,030	50,965,117	**1,218,851**	576,864

20. Amounts owed to ultimate shareholder

As at 31 March 2016, the amounts owed to ultimate shareholder amounting to €3,779,493 related to the allotment and acquisition of shares in Seabank Hotel and Catering Limited. These amounts had been earmarked as additional capital required by the company.

To this effect, during the current financial year, the company's shareholder approved the issue and allotment of 3,480,000 fully paid up ordinary shares of €1 each for an aggregate value of €3,480,000 (refer to Note 13). The consideration for these shares was the capitalisation of an equivalent amount of the amounts owed to the ultimate shareholder.

As at 31 March 2017, the remaining balance of the shareholder's loan amounts to €299,493. These amounts are unsecured, interest free and have been earmarked as additional capital required by the parent company, the terms of which will be concluded in the foreseeable future.

21. Deferred Government grants

	Group	
	2017	2016
	€	€
At beginning of the year	**40,925**	49,746
Credited to profit or loss - Annual amortisation related to assets (Note 27)	**(8,821)**	(8,821)
At end of year	**32,104**	40,925
At 31 March		
Non-current	**23,283**	32,104
Current	**8,821**	8,821
At end of year	**32,104**	40,925

22. Derivative financial instruments

	Group	
	2017	2016
	Fair value liabilities	Fair value liabilities
	€	€
At 31 March		
Interest rate derivative - interest rate swap	**53,426**	273,702

In prior years, a group undertaking entered into an interest rate swap derivative financial instrument to mitigate the variability of future floating interest payments based on the applicable three-month Euribor rate on the entity's borrowings. The fair value movement during the current and the preceding financial year was recognised in the cash flow hedge reserve. Realised losses on the derivative have subsequently been transferred to profit or loss and presented within finance costs. The notional amount of the outstanding interest rate swap contract as at 31 March 2017 was €11.3 million (2016: €12.6 million).

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

	Group	
	2017	2016
	€	€
Derivative financial liabilities		
Current	**53,426**	273,702

23. Other loans

Other loans amounting to €730,932 (2016: €993,577) represent advances from suppliers which are to be set-off against discounts allowed by the same suppliers on the basis of predetermined purchase levels.

24. Revenue

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
By category				
Hospitality and ancillary services	**33,449,307**	30,477,820	**-**	-
Food and beverage	**8,683,807**	7,841,379	**-**	-
Merchandise and other retailing activities	**3,739,783**	3,572,587	**-**	-
Other	**750,603**	755,651	**2,458**	1,800
	46,623,500	42,647,437	**2,458**	1,800

25. Expenses by nature

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Employee benefit expense (Note 26)	**9,339,067**	8,426,388	**-**	-
Amortisation of intangible assets (Note 6)	**241,756**	241,756	**-**	-
Depreciation of property, plant and equipment (Note 4)	**6,197,970**	5,851,895	**-**	-
Utilities and similar charges	**1,721,392**	1,667,334	**-**	-
Operating supplies and related expenses	**9,553,403**	8,604,031	**-**	-
Repairs and maintenance costs	**2,245,372**	1,784,914	**-**	-
Marketing, advertising costs and commissions	**1,153,791**	925,199	**-**	-
Franchise royalties	**652,122**	679,254	**-**	-
Operating lease rentals – property	**494,191**	408,823	**-**	-
Ground rents payable	**6,198**	6,198	**-**	-
Other expenses	**3,063,565**	2,607,458	**21,813**	2,246
Total cost of sales, selling and administrative expenses	**34,668,827**	31,203,250	**21,813**	2,246

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 March 2017 and 2016 relate to the following:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Annual statutory audit				
- parent company auditors	**42,745**	34,700	**750**	750
- other auditors	**14,250**	12,750	**-**	-
Tax advisory and compliance services				
- parent company auditors	**4,725**	1,810	**325**	325
Other non-audit services				
- parent company auditors	**5,750**	15,460	**750**	-
- other auditors	**6,135**	875	**-**	-
	73,605	65,595	**1,825**	1,075

26. Employee benefit expense

	Group	
	2017	2016
	€	€
Wages and salaries (including director's remuneration)	8,435,450	7,832,766
Social security costs	636,523	663,552
	9,071,973	8,496,318
Recharged from/(to) associates	267,094	(55,022)
Recharged to third parties	-	(14,908)
	9,339,067	8,426,388

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

	Group	
	2017	2016
Direct	507	450
Administration	70	68
	577	518

27. Other operating income

	Group	
	2017	2016
	€	€
Amortisation of deferred Government grants (Note 21)	8,821	8,821
Operating lease income	256,740	225,724
Other income	48,586	31,841
	314,147	266,386

28. Finance income and finance costs

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Finance income				
Interest on amounts owed by subsidiary	-	-	71,896	70,895
Finance income arising from finance lease arrangement	3,241	3,319	-	-
	3,241	3,319	71,896	70,895

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Finance Costs				
Interest on bank borrowings and other loans	3,350,612	3,602,083	71,896	70,929
Other finance charges	80,480	95,040	-	-
	3,431,092	3,697,123	71,896	70,929

29. Tax expense

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current taxation	295,998	190,418	-	-
Deferred taxation (Note 9)	2,935,832	2,623,209	-	-
Tax expense	3,231,830	2,813,627	-	-

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit/(loss) before tax	9,986,543	8,440,573	(19,355)	(480)
Tax on profit/(loss) at 35%	3,495,290	2,954,201	(6,774)	(168)
Tax effect of:				
Share of results of associates	(400,951)	(148,331)	-	-
Expenses not deductible for tax purposes	168,894	149,150	6,774	168
Income not subject to tax	(3,568)	(11,465)	-	-
Movement in temporary differences	(29,680)	(128,716)	-	-
Investment tax credits claimed during the year	-	(8,226)	-	-
Other differences	1,845	7,014		
Tax charge in the accounts	3,231,830	2,813,627	-	-

30. Directors' remuneration

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Salaries and other emoluments	**254,627**	175,570	**-**	-

31. Cash generated from operations

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Operating profit/(loss)	**12,268,820**	11,710,573	**(19,355)**	(446)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**6,197,970**	5,851,895	**-**	-
Amortisation of intangible assets (Note 6)	**241,756**	241,756	**-**	-
Deferred Government grants (Note 21)	**(8,821)**	(8,821)	**-**	-
Gain on disposal of property, plant and equipment	**(3,000)**	-	**-**	-
Changes in working capital:				
Inventories	**(248,748)**	(84,586)	**-**	-
Trade and other receivables	**515,213**	(2,157,159)	**(181,365)**	(502,066)
Trade and other payables	**6,297,836**	4,253,240	**1,562,071**	914,565
Cash generated from operations	**25,261,026**	19,806,898	**1,361,351**	412,053

32. Commitments

Capital commitments

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

	Group	
	2017	2016
	€	€
Contracted but not provided for	-	550,000

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:

	Group	
	2017	2016
	€	€
Less than one year	99,992	96,974
Between one and five years	193,942	298,089
More than five years	2,460,860	2,511,471
	2,754,794	2,906,534

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:

	Group	
	2017	2016
	€	€
Less than one year	82,847	79,347
Between one and five years	99,541	48,065
More than five years	290,987	-
	473,375	127,412

Operating lease receivables relate to property concessions.

33. Contingencies

At 31 March 2017, the group's and the company's major contingent liabilities were:

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

(b) Uncalled share capital amounting to €5,590 (2016: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €1,920 (2016: €1,920) relating to shares subscribed in subsidiaries by the parent company.

(c) A special hypothec granted by a group undertaking to a third party in respect of certain units allocated to timeshare amounting to €10,000,000 (2016: €3,000,000).

(d) Guarantees of up to a maximum of €60,106 (2016: €54,076) issued by a group undertaking to various third parties for a beach concession.

(e) Guarantees of €18,650 (2016: €18,650) and €1,500,000 (2016: €1,500,000) issued by the group's bankers, on behalf of group undertakings in favour of the Planning Authority and Projects Malta Limited respectively, in the ordinary course of business.

(f) Guarantees given by the parent company in respect of bank facilities of group undertakings for an amount of €56,750,000 (2016: €46,750,000).

(g) Guarantees given by a group undertaking in respect of bank facilities of an associate for an amount of €3,650,000 (2016: €3,650,000).

(h) Guarantees and performance bond amounting to €350,000 (2016: nil) given to third parties and to the Government of Malta with respect to the acquisition of the land title.

34. Related party transactions

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

The entities constituting the db Group are ultimately owned by 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 db Group.

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

34. Related party transactions - continued

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

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

Year-end balances with related parties are disclosed in Notes 10, 18 and 20 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprise the directors of the parent company and the directors of the other group undertakings. Key management personnel compensation, consisting of the parent directors' remuneration has been disclosed in Note 30.

35. Events after reporting period

On 25 April 2017, SD Finance plc (the "issuer"), which is a subsidiary of SD Holdings Limited, issued an aggregate of €65,000,000 in bonds having a face value of €100 per bond, subject to minimum holding of €2,000 in bonds. The bonds have a coupon interest rate of 4.35% per annum as stated in the prospectus dated 27 March 2017. These bonds were eventually admitted for listing on the Malta Stock Exchange on 4 May 2017. SD Holdings Limited is the guarantor of these bonds.

In accordance with the provisions of the above noted prospectus, the proceeds from the bond issue have been advanced by the issuer to undertakings forming part of the db Group for the purpose of re-financing existing bank facilities within the group, financing the redemption of redeemable preference shares of a fellow subsidiary of the issuer and for the general corporate funding purposes of the group.

36. Statutory information

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

37. 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.

NOTES

NOTES

db GROUP
db Seabank Resort & Spa, Marfa Road, Mellieħa MLĦ 9064, Malta
T (+356) 22 891 000 | E info@dbgroupmalta.com