vision to reality

ANNUAL REPORT **2019**

db GROUP

our mission

One word which...

Is the essence of success of our business.
Always reminds us of how we got here.
Has guided us for three decades.
Inspires all our new ventures.
Distinguishes us from others.
Explains our staying power.
Defines who we are.
Is our future.

EXCELLENCE

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chairman's introduction

vision to reality

In entrepreneurship, as in other important endeavours, vision without the means and drive to achieve it, will never become a reality. And without the guidance of vision, reality inevitably sinks into drift, chaos or even collapse. The latter scenario is the opposite of the reality needed for a business to flourish and thrive on. Maintaining this constantly changing balance between vision and turning it into reality has been the heartbeat of the db Group from the very beginning.

It is in the very nature of having a vision that it is always ‘bigger’ than the here and now. Nurtured by imagination and spurred by a sharp curiosity about what lies beyond the horizon, vision motivates business leaders precisely because it is larger than life, larger than them.

The crux lies on the steadiness of the bridge one builds between the larger than life vision and the means and determination to make it real; a reality. Too much vision and too few resources is as much a recipe for failure as vice versa.

Inspired by these thoughts, the db Group has always dreamed big but with feet always on the ground. We set ourselves concrete and specific goals to put to the test both our vision and our ability to make it real.

Accordingly, we have set goals which not only deliver for the moment but open doors for future moves and achievements. We have always been prepared to make short-term sacrifices in the interest of long-term gains, just as we have always grabbed opportunities to make quick wins, to move things forward and to keep our people moving.

“Excellence is the word.
And because it is the word, vision and reality will always be as close to each other as we would like them to be.”

At the same time, we have never baulked at tweaking and even changing our goals according to both internal and external changes. For us, goals are a means to an end, not an end in themselves. They are, if you will, the transport vehicles we use on our vision-guided journey. It is the terrain, the topography and the climate of our business which determine whether one vehicle is better than another to take us where we want to go. We therefore do not hesitate to step out of one and into another if that is what our vision and market intimate.

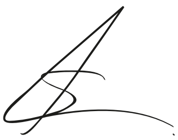
As a Group, this is the course we have always taken to make our choices, to turn our vision into reality. In investment as much as in human resources, in diversification as much as in marketing, in exploring new sectors as much as in revisiting the ones we have been in since the beginning.

Our vision is not always immediately visible in everything we do, but its presence can always be felt. We do sometimes make mistakes, but they are visible precisely because they are not the norm. Perhaps our ethos has learned from how Picasso described his art: “If I paint a wild horse, you might not see the horse. But surely you will see the wildness.”

For vision to become reality there needs to be yet another ingredient in the pot: a clear and unshakable mission. Ours is not very complicated, not complicated at all. In fact, it consists of one word which courses through the sinews of the entire Group – Excellence.

We have made it our mission to deliver excellence in everything we do. From the quality of our services to the innovativeness of our offer. From our ideas to how implement them. From the board decisions to the operations of our smallest unit.

Excellence is the word. And because it is the word, vision and reality will always be as close to each other as we would like them to be.



SILVIO DEBONO
Chairman & Managing Director

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

CEO report

another successful year

Believing and perseverance in what we know remain the best keys to yet another year of outstanding results. Indeed, the Group continues to raise the bar year-on-year. As always, we treated challenges as hidden opportunities, thus propelling the Group and its team forward to more outstanding results and new pastures.

It is fundamental that we continue to invest in our product base and expand the range on offer. Our goal remains to retain and increase market share according to the opportunities that present themselves.

During the year, a range of new products and upgrades to our properties came on stream:

- Improvements and embellishments of the landscape and wedding area at the db Seabank Resort + Spa, the addition of a 200-capacity lounge pool with immersed pool and various upgrades;
- Creation of Nine Lives, a new upmarket entertainment centre on the perched beach at the db San Antonio Hotel + Spa;
- Construction of an underground tunnel connecting the San Antonio Hotel + Spa to the perched beach; and
- Securing a long-term licence agreement with the world renowned Starbucks brand.

This ongoing innovation and freshening up of our product required an investment of €6 million of the Group's own funds. We are certain that these initiatives will be yet more milestones in the delivery of our mission: Excellence.

On the contract catering side, Sky Gourmet launched a new business class meal concept consisting of a traditional culinary experience served in contemporary Maltese ceramics and chinaware. The buy-on-board concept offered to economy class passengers has now been in operation for the past 12 months and has been very well received.

After successfully securing development permits for the db City Centre project in September 18, 2018, this decision was challenged before the Court of Appeal. Unfortunately, although no fault was found with the permit granted or the process by which it was obtained, the Court upheld it in on the grounds that a member of the Planning Board may have had a conflict of interest. This resulted in the permit being revoked, faulting the Planning Authority in the process. Amended plans have now been resubmitted and would need to be re-assessed by the Planning Authority.

“These results will further spur all of us to continue working to **deliver more excellence** both to our shareholder and to all the team forming part of this fantastic Group.”

Following the successful conclusion of a licence agreement with Starbucks EMEA Ltd to open and operate a number of Starbucks stores in Malta and Gozo, it is with a great sense of pride that the Group launched the first two units in Q2 2019. The initial take has been extremely positive and encouraging. More units are planned to be launched on the market in the course of the coming months and years.

Works on the construction of a 504-bed annex to Saint Vincent de Paule Residence are now under way, with foundation works nearing completion. This annex will be managed by the Group on a long-term contract basis and is due to be completed in the first half of 2020.

The Group's publicly-listed 10-year dated bonds on the Malta Stock Exchange continue to trade above par and are currently priced at around 103.

The Group's revenue continues to be primarily generated by its hospitality, leisure and ancillary services core areas. This was another bumper year for tourism, registering an impressive 14.3% year-on-year growth, reaching the 2.6 million inbound tourists mark. This, coupled with the unrelenting quest for excellence in the delivery of quality of service - a fact which is once again amply recognised by the various international awards won by the Group's Hotel portfolio - led to very encouraging results.

- **Group Revenues** – double digit growth of 11.7% factoring in at €56.1 million.
- **EBITDA** – an impressive growth rate of 22.5% factoring in at €26.4 million.
- **Operating Cash Flows** – substantial improvement of 38.4% in cash generation, now factoring in at €21.6 million.

Balance sheet totals have now reached €317 million, an increase of €86 million over last year's figures. This was achieved primarily as a result of a revaluation of the Group's real estate component (+€59 million net of deferred tax on revaluation) together with an increase in revenue reserves which now stand at €34 million (+ €10 million). Total equity or shareholder's funds now stand at €133 million.

From an operations perspective, the Group continues to invest in its human resource base, the all-important driver to raise the quality bar and reaching more ambitious financial targets. We are firm believers that all our team members have and will continue to deliver the ultimate experience to our guests with excellence as the only path they know.

It is a great privilege for me to share these solidly positive results. As always, we shall not rest on our laurels. On the contrary, these results will further spur all of us to continue working to deliver more excellence both to our shareholder and to all the team forming part of this fantastic Group. With equal consistency, we will never forget our beginnings, an inspiration which makes us prudent in every new step we take.

ARTHUR GAUCI
Chief Executive Officer

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

board of

SILVIO DEBONO
CHAIRMAN

VICTORIA DEBONO
DIRECTOR

ROBERT DEBONO
DIRECTOR

JESMOND VELLA
DIRECTOR

directors

ARTHUR GAUCI
CEO

VINCENT DEGIORGIO
DIRECTOR

ALAN DEBONO
DIRECTOR

DAVID DEBONO
DIRECTOR

group background

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

Over the last four decades, the Group has forged strategic relationships with various global players including Hard Rock Café International, well-renowned American coffee chain Starbucks, the Accor Hotel Group, and RIU Hotels & Resorts. As a result, we have accumulated a body of business acumen and experience which enabled us to establish our very own unique brand, db Hotels + Resorts, holding at its core the principle of excellence on which the Group was founded.

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

key milestones

key milestones achieved during the year

2019 was another record-breaking year for the Group, with solid growth in turnover at 11.7% reaching the €56.1 million mark. More encouragingly, EBITDA increased by 22.5% factoring in at €26.4 million.

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

For a number of years, the Group has been actively engaged in the creation of the db City Centre, situated in one of Malta's prime seaside locations in St Julian's, referred to as the Golden Mile and right across St George's Bay, a blue flag urban beach enjoyed all year round.

The db City Centre 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, as well as a number of world-famous bars, restaurants and retail brands.

Around €300 million will be invested in the project, making it one of the largest private investments made by a single local operator in Malta's history.

The Group envisions that this unique project would be completed by 2022.

STARBUCKS MALTA

During 2019, the Group opened the first two Starbucks outlets in Malta at Vault number 15 at the Valletta Waterfront and at Għadira, Mellieħa. The Valletta Waterfront store, which marked the opening of Starbucks' 80th global market, was designed to reflect Maltese and Mediterranean characteristics, together with a touch of Starbucks' own roots in Seattle's historic Pick Place Market.

The db Group holds the exclusive license to operate and develop the Starbucks brand in the country. We plan to grow the number of new Starbucks stores in the months and years ahead.

Since 1971, the Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 30,000 stores around the globe, Starbucks is the premier roaster and retailer of specialty coffee in the world. Through its unwavering commitment to excellence and its guiding principles, the unique Starbucks Experience is brought to life for every customer, through every cup.

AMAMI, BLU BEACH CLUB AND WESTREME AT ADEERA COMPLEX

In 2018 and 2019, the Group invested over €4 million in the previously known Tunny Net Complex located on the shoreline of Malta's largest sandy beach, Għadira. The renovated complex now houses three restaurants including Amami, a Japanese and Asian haute cuisine concept, Westreme, the perfect family restaurant, and the new Blu Beach lido, offering a unique and relaxing dining by the sea experience and ambience. The complex also houses a convenience store to service the heavy footfall in the vicinity.

In June 2019, Malta's second Starbucks outlet also opened its doors in this complex.

NINE LIVES BEACH CLUB, ST PAUL'S BAY

In June 2019, the Group invested €2.5 million to open the Nine Lives beach club, an impeccably curated lounging, swimming, dining and relaxation experience on St Paul's Bay perched beach.

Nine Lives gives guests the opportunity to bask in the sun and enjoy breakfast, lunch or dinner in a high-quality restaurant when the sun is up. In the evenings, music becomes an integral part of the experience, with a series of weekly activities and events.

REFURBISHMENT OF db SEABANK HOTEL POOL AREA

In 2019, db Group invested €1.5 million to carry out an extensive renovation of the pool area of the db Seabank Hotel + Spa and add 150 sunbeds. The transformation adds more facilities for hotel guests such as a sunk-in bar, a new kids' pool and a club in a designated caved area.

The events area on the Hotel's grounds was also revamped with the creation of three new venues adaptable for all sorts of occasions such as weddings, engagements, graduations, as well as corporate and social events. The area caters for both sit down and standing configurations.

CONCESSION FOR THE PROVISION OF SERVICES AT SAINT VINCENT DE PAULE RESIDENCE THROUGH A PUBLIC PRIVATE PARTNERSHIP (PPP)

In 2017, Malta Healthcare Caterers Ltd won a concession under a Public Private Partnership arrangement for the provision of services at Saint Vincent de Paule Residence (SVPR), a living and care residence for the elderly.

Malta Healthcare took on the responsibility to build four new blocks to accommodate an additional 500 residents at SVPR. Furthermore, the consortium is to provide a range of services, including nursing, caring, housekeeping and catering for the additional beds under a long-term contract. It will also set up and operate a fully equipped on-site kitchen to provide catering services for the existing 1,100 beds in the residence.

The required capital expenditure for the PPP agreement is estimated to be at around €30 million. The initial phases of the project commenced in 2018.

Hospitality

- db Seabank Resort + Spa
- db San Antonio Hotel + Spa
- Porto Azzurro Hotel
- db Catering + Events
- db City Centre at St George's Bay *(to be completed in 2022)*

Leisure

- Hard Rock Café Malta
- Starbucks
- Adeera Complex - Amami, Blu Beach Club, and Westreme
- Nine Lives

Healthcare

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

Contract Catering

- Sky Gourmet Malta Limited
- Malta Healthcare Caterers Limited

Property Development

- DB San Gorg Property Limited
- Kika Construction Company Limited
- Siar Property Investments Limited

The results of the property development companies listed, with the exception of DB San Gorg Property Ltd, are not included in the Group Accounts of SD Holdings Limited.

db Seabank RESORT + SPA

db San Antonio HOTEL + SPA

Porto Azzurro

Hard Rock CAFE MALTA

STARBUCKS COFFEE

nine lives

AMAMI TASTES OF ASIA

Blū. Beach Club

WESTREME KITCHEN + BAR

Sky GOURMET Malta Ltd

Malta Healthcare Caterers LIMITED

Healthmark

db SAN GORG PROPERTY LIMITED

PROPERTY DEVELOPMENT

SIAR PROPERTY INVESTMENTS LIMITED

financial highlights

Largest hotel operator with

3,500 beds

Staff complement of

3,260 employees

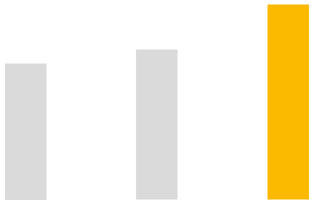
This figure comprises the entire headcount employed by the Group, including individuals employed in subsidiary and associated companies.

REVENUE
(€000s)

MAR 2017	MAR 2018	MAR 2019
46,624	50,529	56,121

CHANGE FY2018/FY2019 **+11.7%**

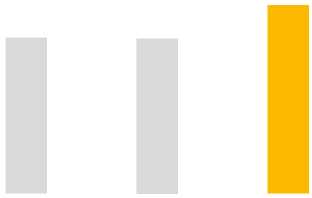
EBITDA
(€000s)



MAR 2017	MAR 2018	MAR 2019
19,854	21,608	26,448

CHANGE FY2018/FY2019 **+22.5%**

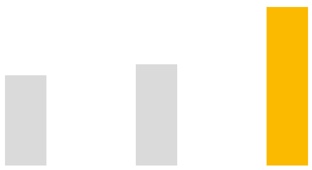
EBITDA MARGIN
(€000s)



MAR 2017	MAR 2018	MAR 2019
42.6%	43.0%	47.1%

CHANGE FY2018/FY2019 **+9.6%**

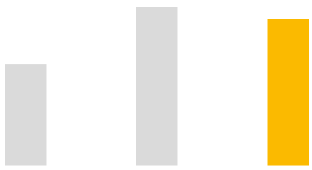
PROFIT AFTER TAX
(€000s)



MAR 2017	MAR 2018	MAR 2019
6,755	7,591	10,693

CHANGE FY2018/FY2019 **+40.9%**

CAPITAL EXPENDITURE
(€000s)



MAR 2017	MAR 2018	MAR 2019
3,796	5,654	5,412

CHANGE FY2018/FY2019 **-4.3%**

GROUP REVENUE

inclusive of revenue generated by individual associates, for the year ended 31 March 2019

Hospitality & Leisure	Contract Catering	Healthcare
47.4%	18.2%	34.4%

Malta country profile

Malta key facts

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

Area
316km^2

Shoreline
200km

Population
493,559 persons
as at December 2018

Population density
1,562 persons per km^2
Malta is the most densely populated EU nation and ninth worldwide

Days of sunshine
300

Average temperature
12°C Winter
31°C Summer

Annual rainfall
600mm

Official currency
Euro

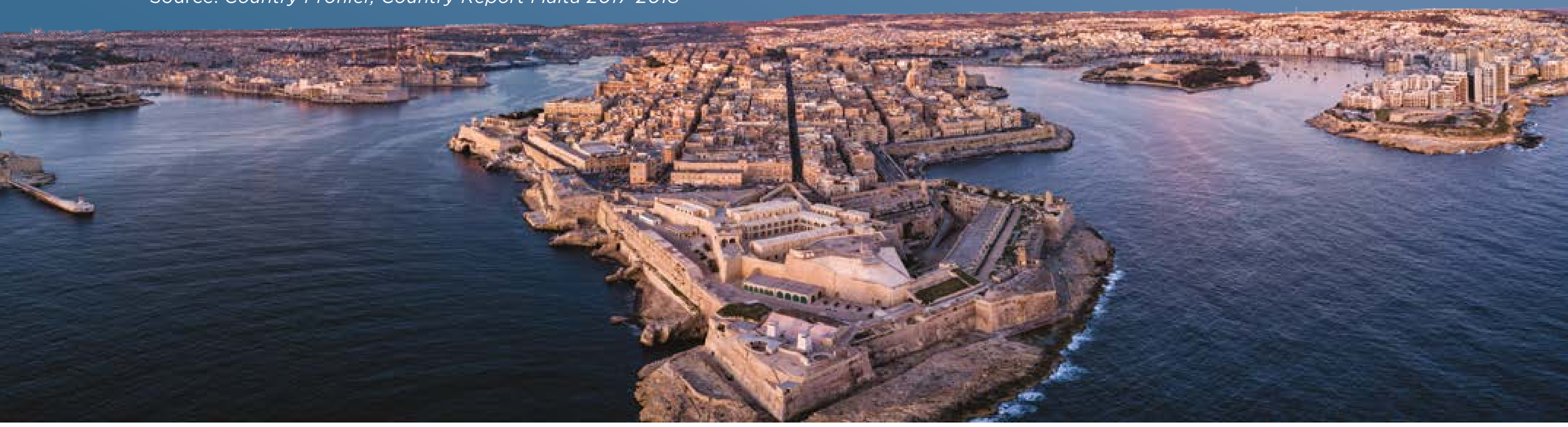
Time zone
GMT +1

International dialing code
+356

Official languages
Maltese & English

High international connectivity
30+ airlines partners serving
100+ international destinations

Source: *Country Profiler, Country Report Malta 2017-2018*



MALTA'S BENCHMARK RATING
based on 140 countries included in the World Economic Forum's Global Competitiveness Indicators

1st

Macroeconomic stability, based on account inflation and debt dynamics

7th

Social capital, which assesses social cohesion and engagement, community and family networks, and political participation and institutional trust

23rd

Future orientation of government, based on the average responses of selected Executive Opinion Survey questions

24th

ICT adoption, which considers aspects such as mobile-cellular telephone and broadband subscriptions, fixed-broadband and fibre internet subscriptions, and internet users

26th

Graduates' skills sets, based on the average responses of selected questions in the Executive Opinion Survey

26th

Ease of hiring foreign labour

29th

Financial system, based on pillars including domestic credit to the private sector, financing of SMEs, venture capital availability, market capitalisation, insurance premiums, soundness of banks, non-performing loans, the credit gap and banks' regulatory capital ratio

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

MALTA: A forward-looking economy

- Malta is a long-standing reputable and regulated financial services hub.
- It was the first EU Member State to regulate online gaming in 2004, thus gaining a significant competitive edge over its EU counterparts.
- The country is actively becoming an attractive jurisdiction for virtual currencies. In May 2017, a draft strategy was drawn up to entice bitcoin and blockchain commerce.
- Blockchain and cryptocurrencies are the most topical subjects in the industry although it is understood that the implications still need to be better assessed. The Malta Gaming Authority (MGA) is taking a pragmatic approach by issuing guidelines on a test environment – referred to as a sandbox. It could be used by existing licensed operators to take up cryptocurrencies or blockchain technology in a controlled way, for a specific term.

BREXIT AND MALTA
An attractive colocation jurisdiction

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

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

One such example is bet365 which, as a result of Brexit, decided to move their main hub to Malta and are currently planning a 500 employee relocation.

Sovereign Ratings

A+ Fitch, 2019

A3 Moody's, 2019

A- Standard & Poor's, 2019

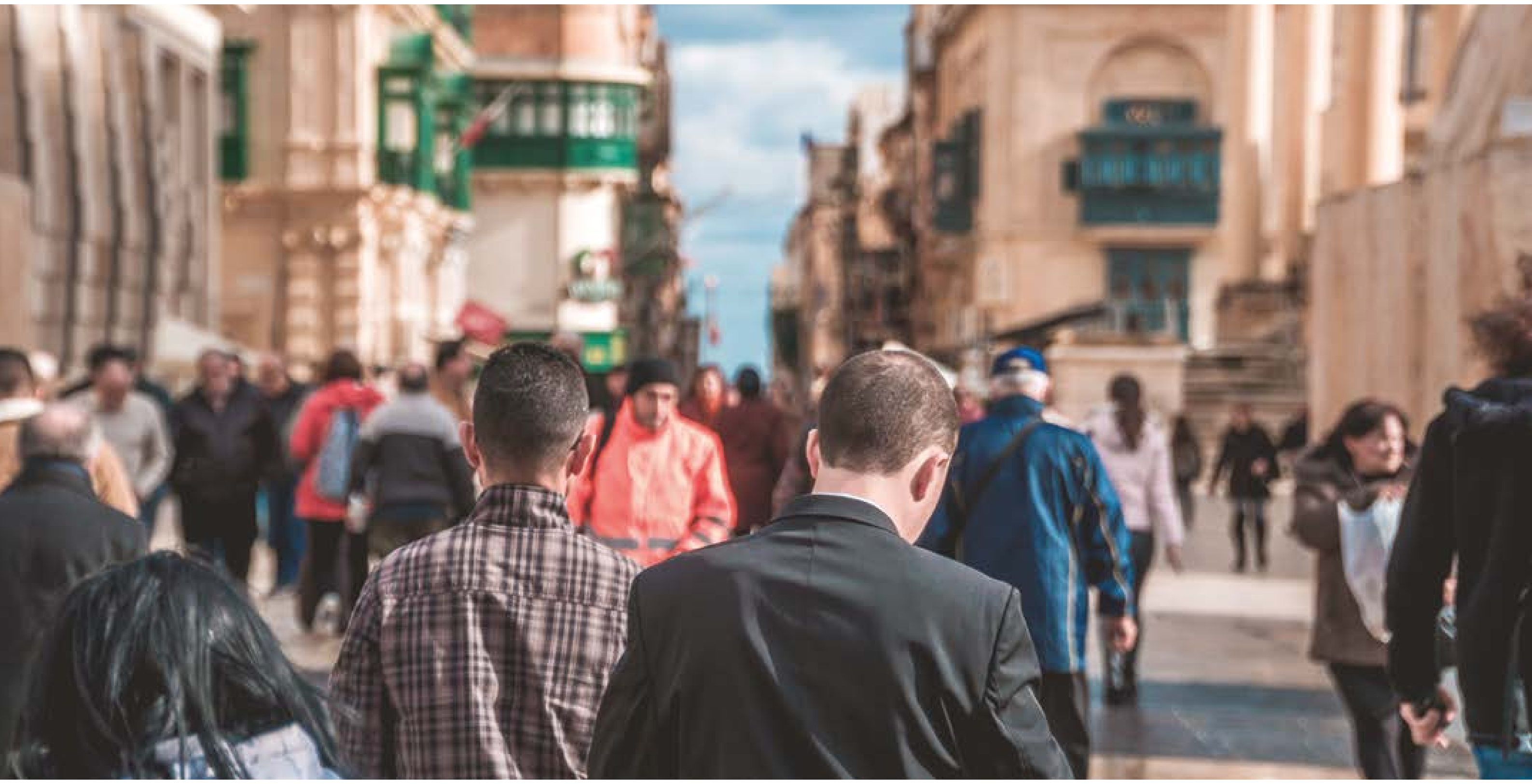
Corporate tax rate

35%

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

Double Taxation Treaties

70+

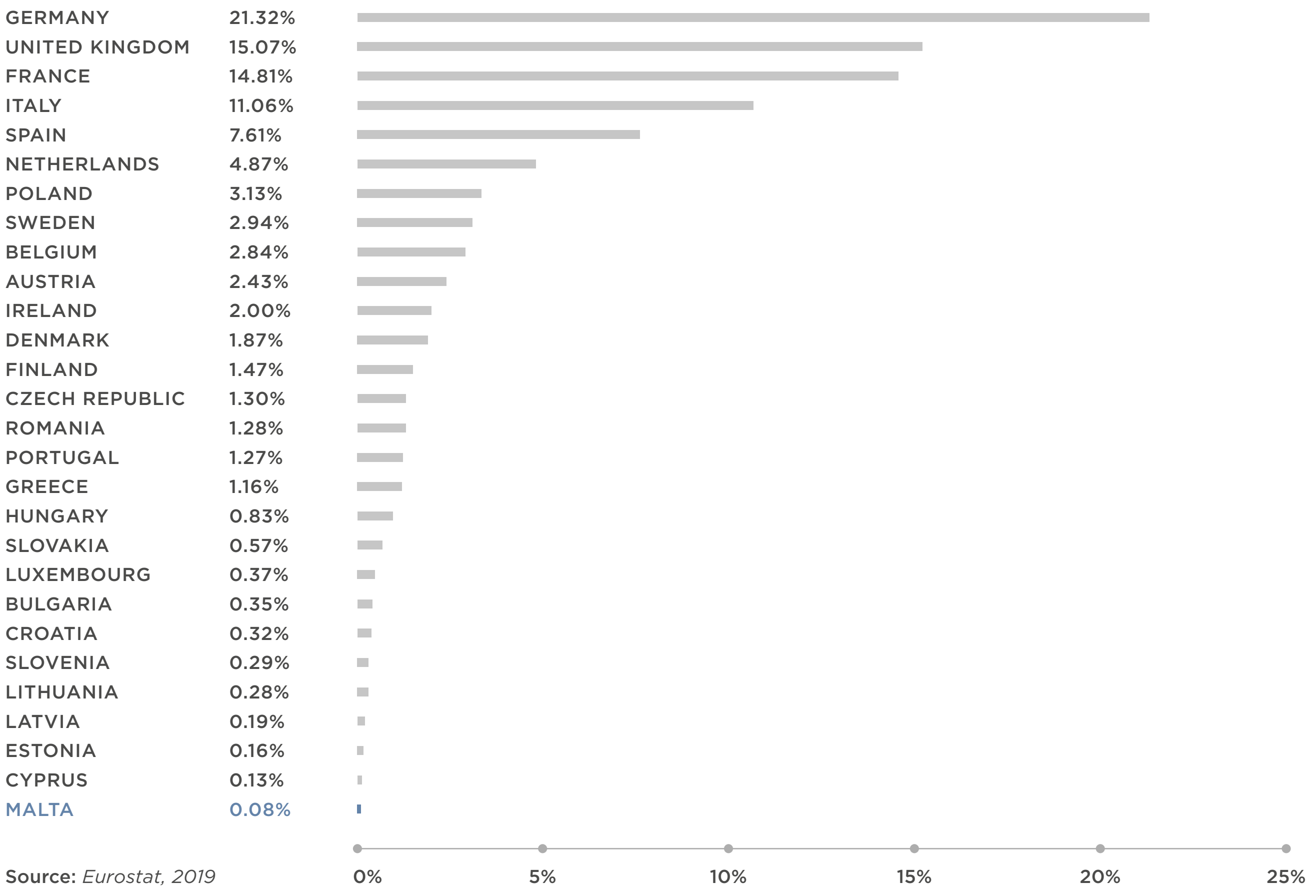


MALTA: The EU's smallest yet one of the fastest growing economies

Since Malta's accession to the EU in 2004, the country's opportunities and prospects expanded significantly. Malta is the EU's smallest economy with latest real GDP reported at €12.3 billion in 2018.

Between 2006-18, Malta's GDP increased from €6 billion to €12.3 billion, making it the second fastest growing economy in Europe following Ireland.

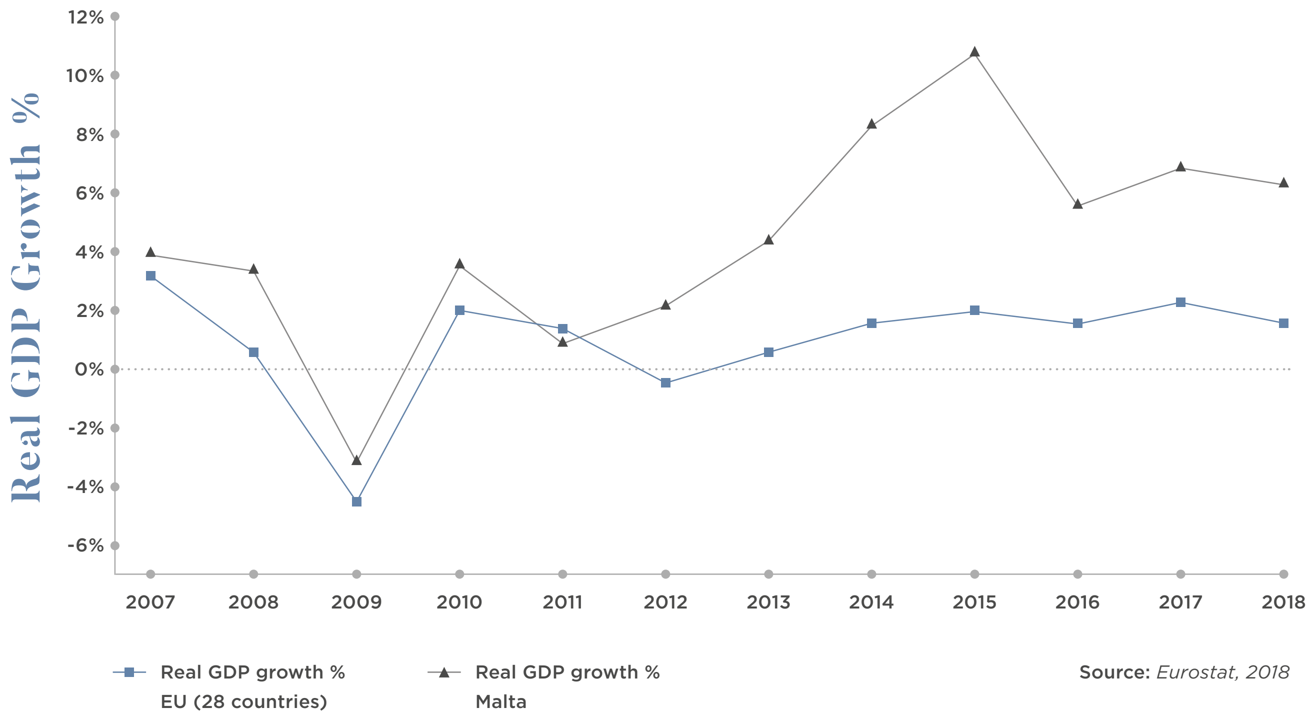
REAL GDP AS A PERCENTAGE OF EU-28 GDP



Source: *Eurostat, 2019*

MALTA'S ECONOMY has consistently registered one of the highest GDP growth rates compared to neighbouring EU-28 economies

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



Source: *Eurostat, 2018*

MALTA'S ECONOMIC PROSPERITY

continues to attract an increasing number of expatriates, fuelling the local property market

Malta's strong economic growth led to higher labour demand, resulting in record low levels of unemployment. Labour demand well superseded supply resulting in a strong surge of foreigners relocating to Malta. This has resulted in a significant growth in the total residing population in Malta.

The 2018 population figures put the figure at approximately 494,000 residents, indicating that the population increased by a CAGR of 2% over the past 10 year period, that is a growth of 20% since 2008.

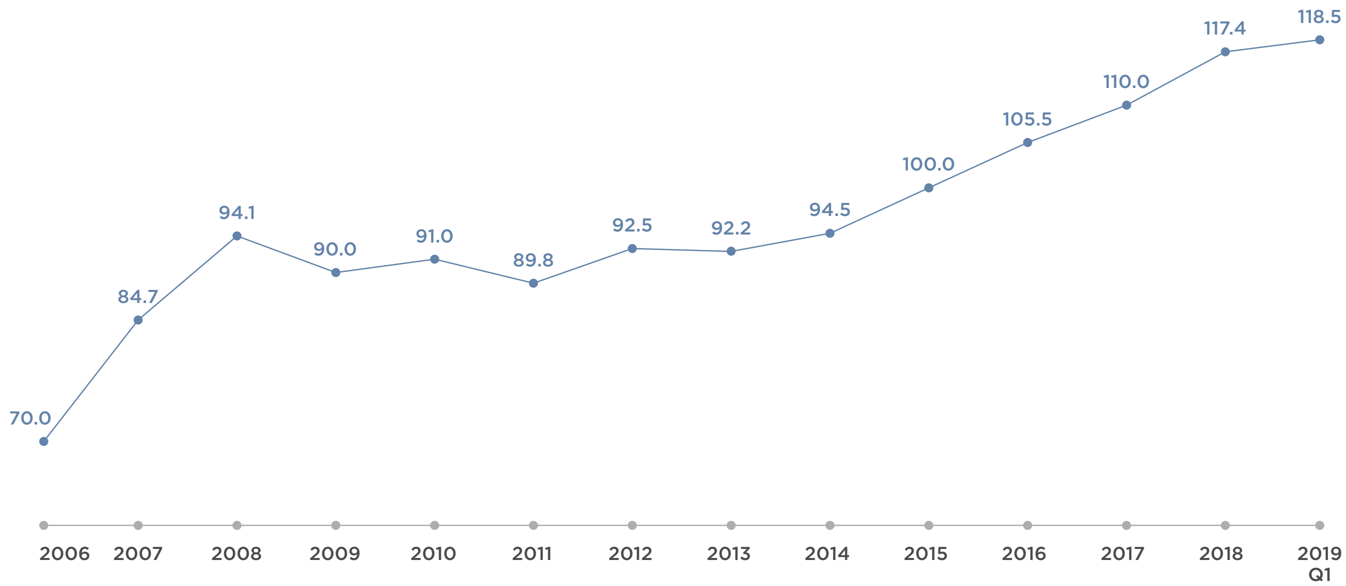
Reported population growth was accounted for by an exponentially growing expat community which increased from 16,791 in 2008 to circa 85,055 in 2018. In 2017, 45,000 foreigners were in active employment[1].

MALTA'S RESIDENTIAL PROPERTY MARKET

The economic and population growth significantly impacted demand in the local residential property market, reflected in the surge of transacted property volume and the residential property price index, specifically between 2014-17. The Maltese real estate market has always been strong and has experienced a three-decade long capital appreciation curve, withstanding the global economic crisis.

[1] Jobsplus data as at December 2017

ANNUAL PROPERTY PRICE INDEX
(Basis Year = 2015)



Source: *Malta National Statistics Office, 2019*

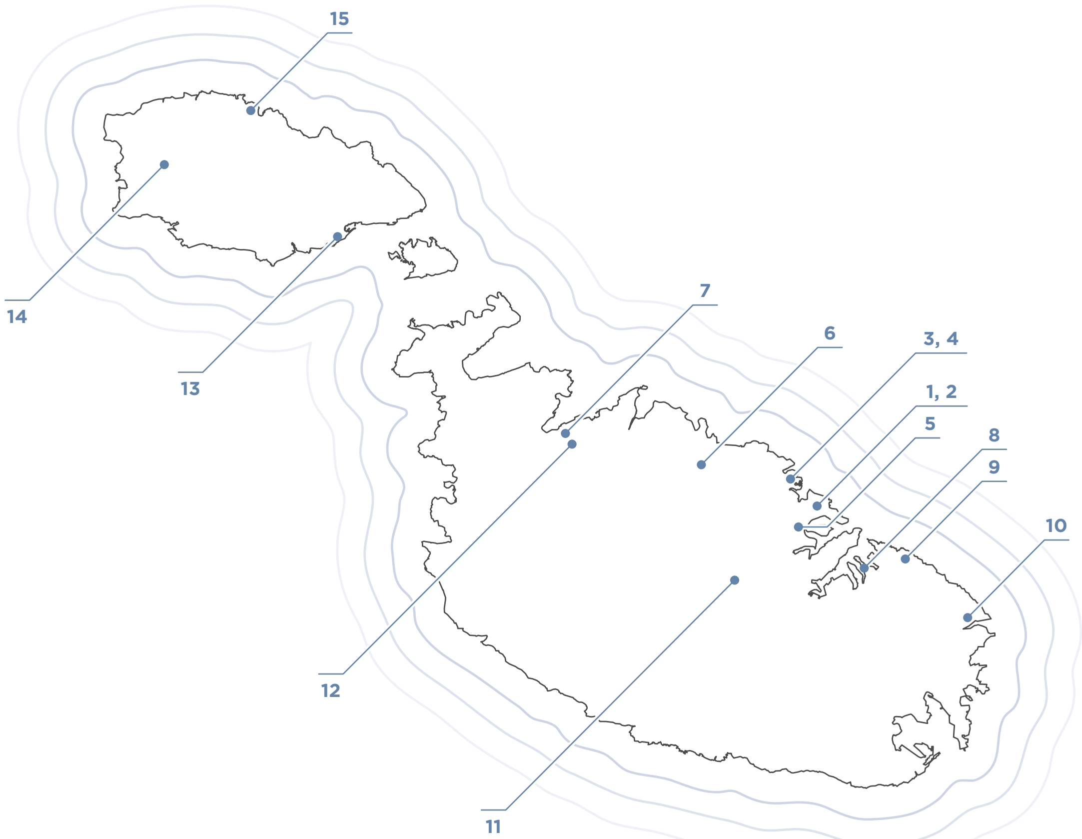
Looking ahead, the residential market is expected to continue on its upward trajectory, the result of an increasing number of expatriates relocating to Malta to work in the iGaming, financial services, technology-related industries, along with leisure and hospitality.

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

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

Property in St Julian's is highly sought after, particularly as office space, yielding higher rates per sqm when compared to other locations.

PROPERTY DEVELOPMENTS WITHIN SPECIAL DESIGNATED AREAS



The current Special Designated Areas in Malta and Gozo:

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

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

economic diversification and stability

Over recent years, Malta has distinguished itself across a range of industries, including the financial, maritime, aviation, digital and high-end manufacturing industries.

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

Malta is actively becoming a jurisdiction for a regulated virtual currency hub, with the Maltese parliament promising to provide transparency and legal certainty, prompting a number of international organisations to set-up shop here. Significantly, in February 2019, one of the world's largest cryptocurrency exchanges by volume, Binance, relocated to Malta. Furthermore, Malta is seeking to increase its exportable services, particularly in the education, healthcare and energy sectors. In order to support the steep economic growth of recent years, infrastructure investment and development climbed up the country's agenda. Trade and investment, most of it with the European Union, are of vital importance to the economy.

As a result of Brexit, Malta is being seen as an attractive colocation jurisdiction for financial and gaming companies based in the UK. A number of UK-based companies have already expressed interest in opening a branch or subsidiary in Malta to maintain passporting rights into the EU. An example is bet365, one of the world's leading online gambling company, which has finalised plans to relocate its operations to Malta once the UK exits the EU. The company is expected to relocate around 500 employees[2] from its operations in Gibraltar, boosting Malta's economy and iGaming industry.

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[2] Times of Malta, "Bet365 relocation to Malta set to bring 500 employees", 8 June 2019.

Malta's proximity to, and cultural links with, North African and Middle Eastern countries are particularly attractive to companies seeking to have a stake in the country as a stepping stone for trading, distribution, and marketing of their international operations in Southern Europe and North Africa. In addition to the historical and strong commercial links with Italy and the UK, Malta conducts healthy trade with France, Germany, the Netherlands, the US, Canada, and China. The country's exposure to international commerce is one of the largest worldwide, and the ongoing political thrust is to build new ties with foreign governments in order to facilitate worldwide market access for all industries.

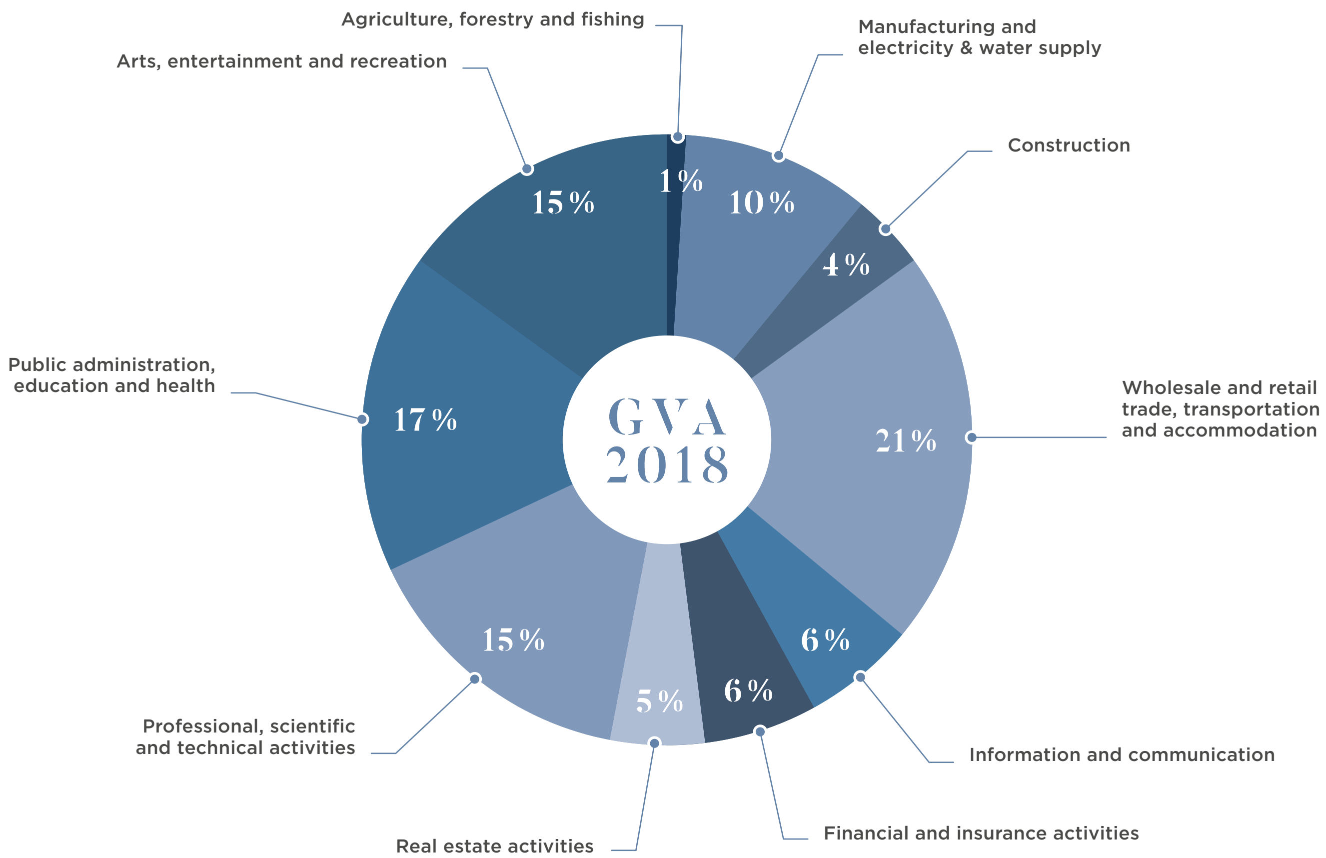
The buoyant economy has also been attracting professionals pursuing dynamic careers in various sectors. As a result, around 56% of Malta's total resident population is part- or full-time employed, enjoying sustainable job prospects as well as a Mediterranean island lifestyle.

In June 2019, Ryanair announced its plans to launch a new Malta-based subsidiary airline called Malta Air. The airline is set to take over the routes to and from Malta currently operated by Ryanair[3]. Further expansion is expected, with over 60 destinations across Europe and North Africa in sight. Plans to increase the size of the airline fleet are also expected. In addition, Ryanair should be re-registering 50 aircrafts in Malta, raising the prospect of using Malta as a maintenance hub. The need to increase the carrying capacity and connectivity to Malta resulted from increased economic activity in Malta as well as increased tourism volumes. The latest figures show that Malta received around 2,600,000 inbound tourists in 2018, 5.3 times the local population.

[3] Ryanair Corporate, "Ryanair to invest in a Malta AOC through purchase of Malta Air", 11 June 2019.

GROSS VALUE ADDED (GVA)

Sectorial Distribution of Malta's GVA for 2018



MALTA'S KEY ECONOMIC SECTORS

Financial Services

Malta has become a long-standing, reputable international financial services hub, with several big names already on the island, including many gaming and insurance firms.

Aviation

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

Maritime

The marine and maritime sector has played an important role in the Maltese economy. The country now has 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 private vessels' and superyachts' owners. Malta is keen to position itself as a leader in new emerging activities such as aquaculture, marine biotechnology, renewable energy and e-maritime services.

Construction

The construction and real estate industries are flourishing due to the recent influx of foreigners who have relocated to Malta to work. During 2018, Malta's construction sector grew by 10.3%, increasing to approximately €398.8 million compared to that of 2013 which stood at €293.7 million[6].

Gaming

As Europe's iGaming capital, Malta is home to the world's largest operators and hosts around 280 iGaming companies[4]. As the first EU country to license online gaming, Malta boasts almost two decades of uninterrupted growth in this sector. Due to the efficient and stringent licensing process, a Maltese licence provides real value and is held in high esteem. The Malta Gaming Authority is working on untangling the various regulatory, legislative and compliance challenges faced by iGaming companies. A new Gaming Act came into force in August 2018. It aims to streamline, consolidate and future-proof all gaming sectors.

Education

All public education up to tertiary level is of high quality and free. The Maltese educational system receives continuous investment from the government. There is currently only one public Maltese university, the University of Malta (UoM). The UoM offers a wide range of degrees and diplomas, including new courses in AI and micro- and nano-technology.

A few foreign universities are currently being set up, including the Barts Medical School, based at the Gozo General Hospital. This university will offer degrees in medicine and dentistry.

The American University of Malta (AUM), which was inaugurated in Bormla in early 2019, offers students a mix of undergraduate, graduate and doctorate programs in areas of business, engineering and technology, and arts. All degrees offered at AUM are fully recognised throughout Europe and globally.

Tourism

In 2018, Malta saw a 14% rise in incoming tourists, or approximately 2.6 million[5]. Malta is becoming an increasingly popular tourist hotspot, by moving beyond its traditional image as a sun and sea destination and offering a broad range of tourism products, including cultural tourism and English-language training.

Plans for the introduction of six-star developments are also being considered. Furthermore, there is a desire that in the long-term, the country will become a health tourism hub, with specialisations in, for instance, oncology and rehabilitation.

In June 2019, the government entered into an agreement with the Strong Universal Network to launch a set of actions to tackle global climate change from the perspective of the travel industry. This initiative will place Malta at the forefront of creating more climate-friendly travel.

Healthcare

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

Manufacturing

Several overseas corporations have relocated their manufacturing divisions to Malta to benefit from a skilled, multi-lingual workforce, as well as advantageous regulations. In order to maintain its competitive edge, Malta is moving away from labour-intensive industries and focusing on automated and high-value-added activities.

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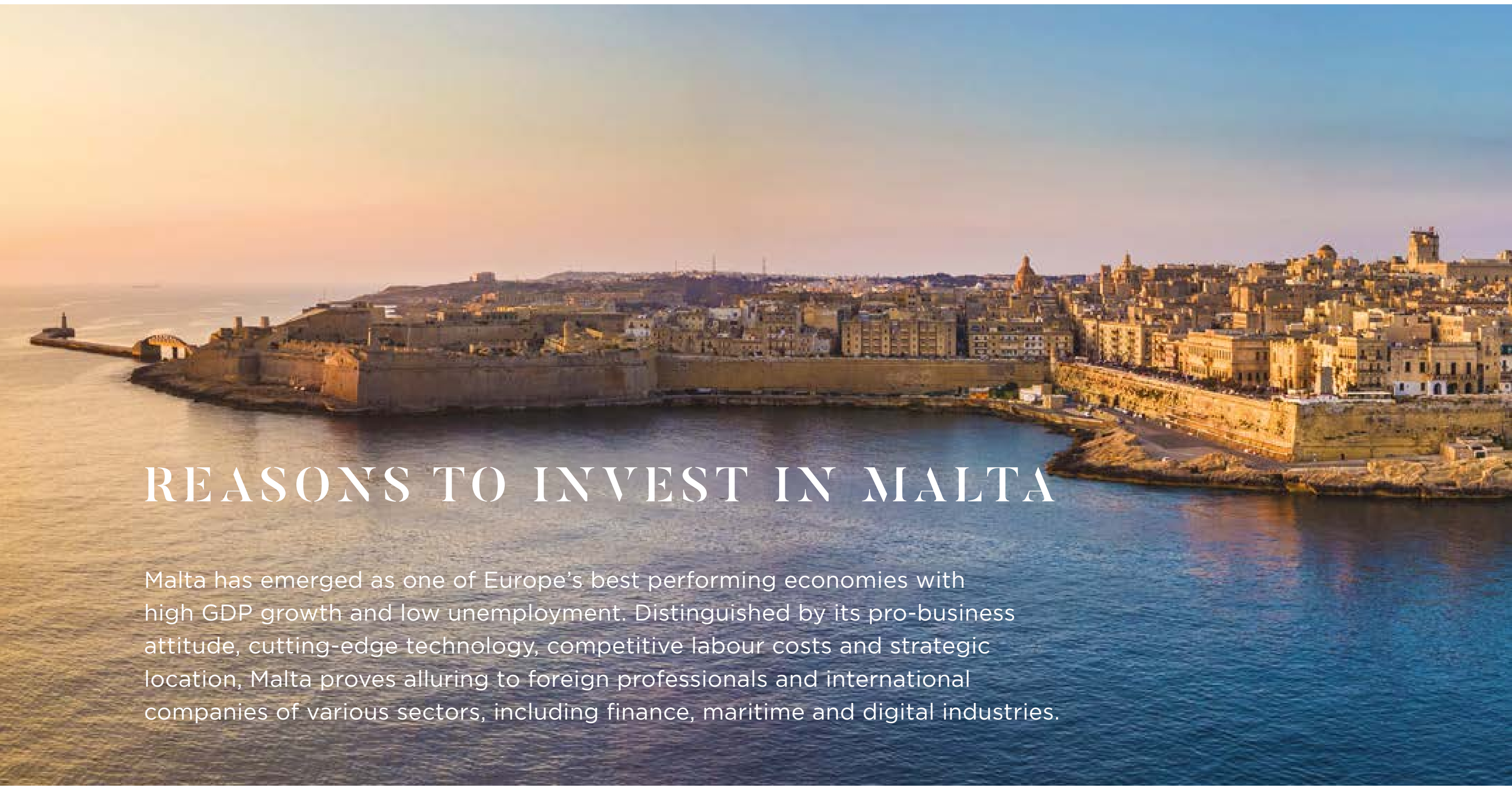
[4] Gaming Malta, 2019 Edition
[5] National Statistics Office, Inbound Tourism, December 2018
[6] National Statistics Office, News Release 8 March 2019 – Gross Domestic Product: 2018



REASONS TO INVEST IN MALTA

Malta has emerged as one of Europe's best performing economies with high GDP growth and low unemployment. Distinguished by its pro-business attitude, cutting-edge technology, competitive labour costs and strategic location, Malta proves alluring to foreign professionals and international companies of various sectors, including finance, maritime and digital industries.

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 the institutional separation of powers. In turn, this is reflected in its solid economic performance. Malta also scores highly on all quality of life aspects.

Business friendly environment

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

Workforce

The labour force is productive, highly educated, extremely flexible, and has an excellent work ethic. The country has a good pool of professional, managerial and technical human resources and a ready supply of top graduates. However, due to the surge in economic growth over recent years, the country's biggest challenge is attracting skilled human resources required for the jobs at hand.

Infrastructure

Substantial investment in both the public and private sectors is being carried out to increase residential and tourist capacity along with office and retail space, as well as to improve and modernise the quality of life. Due to Malta's ever increasing population, the infrastructure has been struggling to keep pace, mainly due to the increasing number of cars of the Maltese roads. As of Q4 2018, the total licensed motor vehicles reached 385,326.

As a result of the overcrowding, the government is investing heavily in new roads and increasing and upgrading junctions in key areas, with one such venture being the Marsa flyover project which is the largest current project. The Government is also exploring the feasibility of an underwater tunnel between Malta and Gozo and a metro system running across Malta and Gozo.

Start-ups

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

Containment

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

Ease of access

Numerous airlines operate to and from Malta, including major airlines such as Emirates, Lufthansa, British Airways, Qatar Airways, Ryanair, EasyJet, Wizzair, Vueling Airlines, Air France and Turkish Airlines.

Ryanair has also announced the launch of Malta Air, a new Malta-based subsidiary airline which is set to fly to over 60 destinations across Europe and North Africa. The prospect of using Malta as a maintenance hub has also been suggested.

Moreover, last year the Malta International Airport was granted approval for a master plan which focuses on transforming into a cutting edge facility to meet the growing passenger demand and boost tourism. With an investment of €100 million, this project is expected to be completed by 2023.

Climate and energy

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

History and activities

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

CITIZENSHIP BY INVESTMENT

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

- provides proof of a residential address in Malta with a minimum value of €350,000 or an annual rent of €16,000;

- makes a lump sum contribution of €650,000 and additional payments according to the number of dependants; and

- commits to invest at least €150,000 in stocks, bonds, debentures, special purpose vehicles or to make other investments as provided from time to time by Malta Individual Investor Programme Agency (the Maltese Government agency administering the programme) in the Government Gazette.

MALTA RESIDENCE AND VISA REGULATIONS

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

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

The main applicant must satisfy the following three criteria:

- pay a contribution of €30,000 (of which, €5,500 is a non-refundable administrative fee and must be paid upon submitting the relevant application to the Agency) and, where applicable, €5,000 per parent or grandparent of the main applicant or the spouse;

- invest an initial value of €250,000 or as may be determined, from time to time, by Malta Residence and Visa Agency; and

- purchase or rent property at a consideration of not less than €320,000 (or €270,000 for a property situated in Gozo or the South of Malta) or rent a property for not less than €12,000 per annum (or €10,000 for a property situated in Gozo or in the south of Malta).

TAX INCENTIVES FOR FOREIGN INVESTORS

Malta provides various incentives to foreigners which have been instrumental to attract a significant number of expatriates.

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

With regards to personal taxation, individuals in Malta are, as a rule, subject to tax at progressive rates. There are different rate scales for different categories of individuals with a 35% ceiling. 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. However, remittances to Malta for ordinary expenses, such as living expenses, are presumed to be remittances of income, unless proved otherwise. 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).

Expatriates, who meet certain criteria, may now be subject to a minimum tax of €5,000, before double tax relief.

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

For an individual qualifying under the Global Residence Programme (for non-EU/non-EEA/non-Swiss nationals) or the Residence Programme Rules (for EU/EEA/Swiss nationals) all foreign sourced income which is remitted to Malta is taxed at 15%, subject to a minimum tax payment of €15,000, after double tax relief. 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, or intend to be, domiciled in Malta.

In 2015, the Government introduced the Malta Retirement Programme Rules. These rules apply to EU, EEA and Swiss nationals who are not in employment and who receive a pension as their regular source of income, all of which must be received in Malta and which must constitute at least 75% of the beneficiary's income chargeable to tax in Malta. An individual qualifying under this programme will be subject to tax at a rate of 15% on chargeable 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 tax of €10,000, after double tax relief.

Malta also offers tax programmes to attract highly qualified foreign individuals to work in specific sectors of the Maltese economy. Under the Highly Qualified Persons Rules, expatriates satisfying certain requirements and employed in an eligible office, 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. Companies which qualify include those licensed and/or recognised by the Malta Financial Services Authority, the Malta Gaming Authority or with an undertaking to hold an air operators' certificate or with the Office of the Chief Medical Officer to Government earning income payable from a 'qualifying contract of employment'. This incentive applies for 5 consecutive years for EU/EEA/Swiss nationals with the possibility to apply for a 5 year extension, and of 4 years in the case of third country nationals with the possibility to apply for a 4 year extension. Similar programs, namely Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities (Personal Tax) Rules and Qualifying Employment in Aviation (Personal Tax) Rules are also available.

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

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

hospitality & leisure

hospitality & leisure

The tourism sector is a main pillar of the Maltese economy, attracting over 2.6 million tourists a year[7]. In 2018, it contributed 10.9% of the total GDP, a 2.2% growth over the previous year[8]. In the nine years leading up to 2016, tourist arrivals increased by an annual average rate of 5%, well over averages reported in the European Union[9].

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

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

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

[7] National Statistics Office, Inbound Tourism: December 2018
[8] World Travel and Tourism Council, 2019 Annual Research: Key Highlights, Malta
[9] Ministry for Tourism, Draft National Tourism Policy 2015-2020

Economic growth in Malta in 2018 was driven by a positive performance in the services sector. Tourism is expected to continue performing strongly with the projected expansion in the supply side of the industry. Increased airline and cruise ship seat capacity and bed capacity are intended to meet these higher demand levels.

	2016	2017	2018	% change 16-17
Inbound tourists, not including overnight cruise passengers (thousands)	1,966	2,274	2,599	+14.3%
Tourist guest nights (thousands)	14,961	16,509	18,570	+12.5%
Average length of stay (days)	7.6	7.3	7.1	-2.8%
Tourist expenditure (€ billions)	1.7	1.9	2.1	+8.0%

Main Indicators for Inbound Tourism for Malta 2016-2018
Source: *National Statistics Office, Inbound Tourism: December 2018*

In 2018, the peak months remained May to October, with the highest activity level registered in August. Tourists coming from EU Member States account for 84.7% of all inbound visits[10]. The UK remains Malta's main source market accounting for 24.7% of annual arrivals. 15.0% of incoming tourists visit from Italy, 8.7% from Germany, and 8.2% 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 16.3% over 2017. Incoming tourists in the 45 to 64 age bracket are the second largest cohort[11].

At the end of 2018, the number of hotels in Malta and Gozo stood at 124, with a total of over 37,000 beds. The majority are 4- and 3-star establishments, housing 19,000 and 10,776 beds respectively. In 2018, 46.7% of non-resident hotel guests stayed at 4-star hotels, whilst a further 24.5% stayed at 3-star hotels, and 20.2% opted for 5-star hotels[12].

Accessibility

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

Air connectivity

In 2018, 98.2% of all tourists travelled to Malta by air. The Malta International Airport (MIA) registered 6.8 million passenger movements, a 13.2% increase over the previous year[13]. This growth is driven by further capacity being deployed by operating airlines and a number of new airlines and routes.

Sea connectivity

In 2018, 632,739 cruise passengers visited Malta, a 5.6% drop compared to 2017 levels. Around 66.9% of cruise visitors came from EU Member States[14]. Malta is also traditionally popular as a yachting destination, offering a wide range and volume of berthing facilities[15].

[10] National Statistics Office, Inbound Tourism: December 2018
[11] National Statistics Office, Inbound Tourism: December 2018
[12] National Statistics Office, Collective Accommodation Establishments: December 2018
[13] Malta International Airport, Annual Statistical Summary 2018
[14] National Statistics Office, Cruise Passengers: Q4 2018
[15] Ministry for Tourism, Draft National Tourism Policy 2015-2020

db Seabank Resort + Spa

key milestones

1984

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

1992

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

1996

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

2001

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

2005

Seabank Resort + Spa undergoes a major overall refurbishment programme

2012

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

2018

An investment of €1.5 million is made to renovate the pool area, enhance the service offering and include more guest facilities. The events area has been revamped to accommodate three new entertainment spaces, including an indoor event hall

background

The db Seabank Resort + Spa is a 4-star all-inclusive hotel located in Mellieħa Bay. It is Malta's first fully all-inclusive superior service resort. The hotel spreads over around 23,000m^2 of land, 19,000m^2 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 in-house entertainment complex was opened, which includes 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:

2019

Traveller's Choice by Trip Advisor

2018

Traveller's Choice by Trip Advisor

2017

Traveller's Choice by Trip Advisor

Top-rated All-inclusive Hotel for the year by Hotels.com

2016

Certificate of Excellence by Trip Advisor

Traveller's Choice by Trip Advisor

Loved by Guests Award

Guest Review Award by Booking.com

2015

Certificate of Excellence by Trip Advisor

Traveller's Choice by Trip Advisor

Hall of Fame Award by Trip Advisor

Excellence Award by Booking.com

Quality Award by Jet2holidays

2014

Traveller's Choice by Trip Advisor

Certificate of Excellence by Trip Advisor

Most Popular Hotel in Mellieha by HolidayCheck.com

Gold Award Accessible Tourism by Travelife

2013

Top 25 All-Inclusive Resort in Europe by Trip Advisor

Traveller's Choice by Trip Advisor

Certificate of Excellence by Trip Advisor

Quality Selection Certificate by HolidayCheck.com

2012

Certificate of Excellence by Trip Advisor

2011

Certificate of Excellence by Trip Advisor

Above all, the db Seabank Resort + Spa was ranked by TripAdvisor in the top 10 best all-inclusive hotels in Europe in 2014.

2019 RESULTS AND KPIS

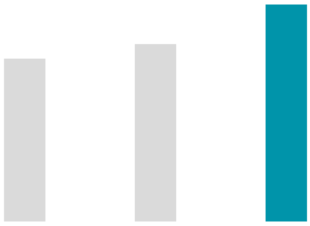
REVENUE

(€000s)

MAR 2017	MAR 2018	MAR 2019
21,110	22,733	24,743

CHANGE FY2018/FY2019 **+8.8%**

AVERAGE ACHIEVED ROOM RATE (€)



MAR 2017	MAR 2018	MAR 2019
114.27	119.64	131.34

CHANGE FY2018/FY2019 **+9.8%**

Average ARR achieved by 4-star hotels operating in Malta was €76.70 (for 2018)

GROSS OPERATING PROFIT (€000s)

MAR 2017	MAR 2018	MAR 2019
10,444	11,946	10,257

CHANGE FY2018/FY2019 **-14.1%**

OCCUPANCY

(%)

MAR 2017	MAR 2018	MAR 2019
83.0%	82.0%	79.7%

CHANGE FY2018/FY2019 **-2.7%**

Average occupancy achieved by 4-star hotels operating in Malta was 83.2% (for 2018)

db San Antonio Hotel + Spa

key milestones

2000

The 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

background

The db San Antonio Hotel + Spa is one of the largest in Malta. Located in St Paul's Bay, this 4-star all-inclusive operation is built in Moorish style, with 500 rooms spread over ten floors. It houses 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 a long-term accommodation basis. In line with this upgrade, the hotel has been converted into an all-inclusive hotel destination.

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

2019

Certificate of Excellence by Trip Advisor

2018

Certificate of Excellence by Trip Advisor

2017

Traveller's Choice by Trip Advisor
Certificate of Excellence by Trip Advisor
Guest Review Award by Booking.com
Recognition of Excellence Award by HotelsCombined
Top Local All-Inclusive 2017 by Hotels.com
Top Producer for Package Room Nights in the 4 star category by Expedia
Outstanding Service Award by GoHotels.com
Best Hotel in Malta by Travel Republic Blog

2016

Certificate of Excellence by Trip Advisor
ECO certified by the Malta Tourism Authority
Guest Review Award by Booking.com
Recommended Hotel Award by HolidayCheck

2015

Traveller's Choice by Trip Advisor
Certificate of Excellence by Trip Advisor
Top Bargain Hotel by Trip Advisor
Certified by Lufthansa Holidays
Bronze Award Winner by Zoover
Quality Award by Jet2Holidays
Top Producer Package Rooms by Expedia.com
Sunny Heart Silver Award by Thomas Cook UK

2013

Certificate of Excellence by Trip Advisor
Recommended Hotel by Zoover
Top Overall Ratings by venere.com
Top Clean Award by venere.com

2012

Certificate of Excellence by Trip Advisor

2011

Certificate of Excellence by Trip Advisor

2010

Best Hotel in Qawra by Zoover

2019 RESULTS AND KPIS

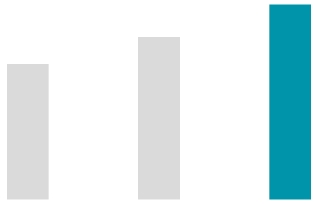
REVENUE

(€000s)

MAR 2017	MAR 2018	MAR 2019
16,578	18,202	19,774

CHANGE FY2018/FY2019 **+8.6%**

AVERAGE ACHIEVED ROOM RATE (€)



MAR 2017	MAR 2018	MAR 2019
106.27	115.85	123.55

CHANGE FY2018/FY2019 **+6.6%**

Average ARR achieved by 4-star hotels operating in Malta was €76.70 (for 2018)

GROSS OPERATING PROFIT (€000s)

MAR 2017	MAR 2018	MAR 2019
7,252	7,726	12,368

CHANGE FY2018/FY2019 **+60.1%**

OCCUPANCY

(%)

MAR 2017	MAR 2018	MAR 2019
81.0%	78.2%	79.6%

CHANGE FY2018/FY2019 **+1.8%**

Average occupancy achieved by 4-star hotels operating in Malta was 83.2% (for 2018)

Porto Azzurro Hotel

key milestones

1995

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

1998

25 new hotel rooms are added to the Complex

background

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.

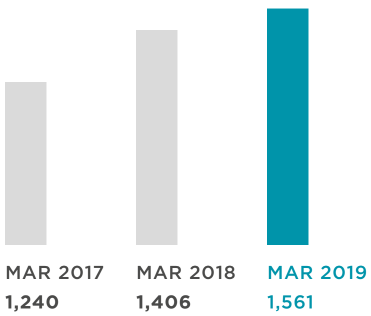
The hotel has a 24-hour reception, wi-Fi connectivity, internet café, launderette, mini-market, dedicated restaurant and a pizzeria.

Leisure facilities include outdoor, indoor and children's pools, a whirlpool, a Jacuzzi, a fitness centre, a games room and a mini-market.

2019 RESULTS AND KPIS

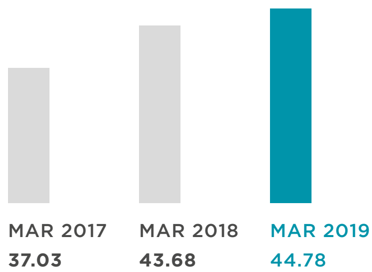
REVENUE

(€000s)



CHANGE FY2018/FY2019	+11.0%

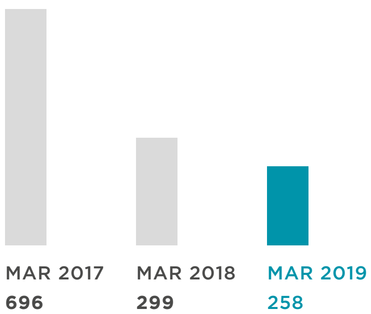
AVERAGE ACHIEVED ROOM RATE (€)



CHANGE FY2018/FY2019	+2.5%

Average ARR achieved by 3-star hotels operating in Malta was €54.40 (for 2018)

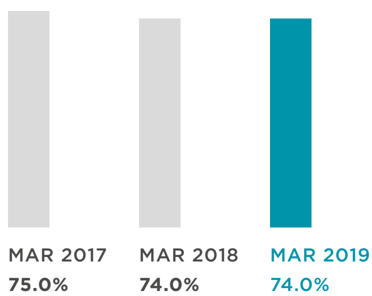
GROSS OPERATING PROFIT (€000s)



CHANGE FY2018/FY2019	-13.7%

OCCUPANCY

(%)



CHANGE FY2018/FY2019	0.0%

Average occupancy achieved by 3-star hotels operating in Malta was 82.4% (for 2018)

db Catering + Events

background

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

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

Corporate services

The corporate services branch assists companies in creating 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.

Hard Rock Café Malta

background

In 2000, the db Group obtains the prestigious franchise to open Malta's first Hard Rock Café. Today it operates three outlets across the island:

St Julian's

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

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

Malta International Airport

Hard Rock Bar,
Malta International Airport

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

Valletta

Hard Rock Café,
Valletta Waterfront

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

Over the years, the Hard Rock outlets won a number of prestigious awards:

2019

Hard Rock Café Malta
Certificate of Excellence by Trip Advisor

2014

Hard Rock Bar in Valletta
Certificate of Excellence by Trip Advisor

2007

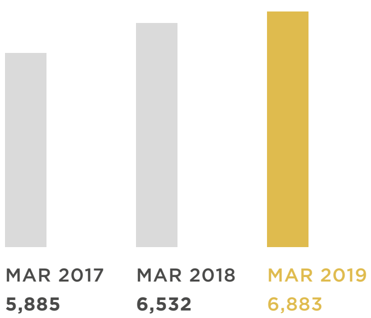
Hard Rock Café Malta
Best Franchise of the Year Award

2004, 2007, 2010

Hard Rock Café Malta
Top of the Rock Award

2019 RESULTS AND KPIS

REVENUE
(€000s)



CHANGE FY2018/FY2019	+5.4%


STARBUCKS

Starbucks Malta

key milestones

2018

The Group announces that it will enter into a licensed partnership with the iconic American coffeehouse Starbucks brand to open a number of stores across Malta

2019

The Group opens the first two Starbucks stores, at the Valletta Waterfront and at the Group's seaside complex, Adeera, located at Għadira Bay, Malta's largest sandy bay. The Maltese market is the brand's 80th global market

background

The db Group plans to open 18 outlets in the coming 5 years.

Since 1971, the Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 30,000 stores around the globe, Starbucks is the premier roaster and retailer of specialty coffee in the world. Through its unwavering commitment to excellence and guiding principles, the unique Starbucks Experience is brought to life for every customer, through every cup.

This store was designed to reflect both the Maltese vibrant culture and Mediterranean qualities, together with a touch of Starbucks' own mercantile roots in Seattle's historic Pick Place Market. The experience will be consistent with the values and store atmosphere of global Starbucks stores, all the while giving Maltese customers an environment created bespoke for them.

"We're humbled and delighted to introduce the Starbucks Experience to customers in Malta ... We look forward to sharing with our Maltese customers our deep pride and enthusiasm for coffee, brewed and served by a world-class team of passionate, knowledgeable baristas."

Robert Lynch - Vice President of Starbucks EMEA Retail

Amami, Blu Beach Club & Westreme

key milestones

1993

The 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 to include a restaurant, pub, club, beach lido and water sports facilities

2014

Complete refurbishment of the Tunny Net Complex

2018

With an investment of €2 million, an extensive renovation is carried out to rebrand the building as "Adeera Complex". The complex includes three catering outlets and a convenience store

2019

Malta's second Starbucks outlet Malta opens its doors in the complex in June 2019. March 2019, marks the first full year of operation after the renovation and rebranding, with total revenues exceeding the €4.7 million mark.

background

Amami

The Adeera Complex houses Amami, a Japanese and Asian haute cuisine concept, prepared by an expert team of international chefs using authentic techniques such as a robatayaki grill, a traditional form of fireside cooking. Guests can enjoy unobstructed views of the magnificent bay.

Blu Beach Club

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

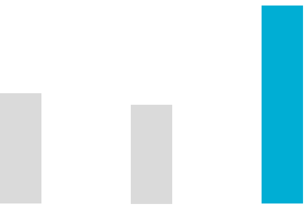
Westreme

Westreme caters for families, offering an extensive and well-priced menu. Patrons enjoy the unique and tranquil views of the Mellieħa Bay whilst children can enjoy the dedicated play area right in the restaurant, making it the perfect family restaurant.

2019 RESULTS AND KPIS

REVENUE

(€000s)



MAR 2017
2,987

MAR 2018*
2,788

MAR 2019
4,720

CHANGE FY2018/FY2019	+69.3%

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

Nine Lives

background

In June 2019, the Nine Lives beach club opened its doors in St. Paul's Bay, Malta. It forms part of the Group's strategic direction to invest in a portfolio of concept restaurants, each focused on specific target markets and clientele. Accordingly, Nine Lives' typical clients seek a cool setting with a casual and curated ambiance.

With a €2.5 million investment, the Group introduced a novel, relaxing and totally entertaining concept to the local market.

The club offers a chill out, swimming, and dining right on the water's edge on the perched beach and with a majestic view of St Paul's Islands. In between dips in the deep blue Mediterranean sea, guests bask in the sun on comfortable beds, enjoy breakfast, and have gourmet lunch or dinner wherever they desire it. In the evenings, music becomes an integral part of the seaside, summery atmosphere, with regular activities and events.

Since it opened its doors Nine Lives has been a roaring success, positioning itself on the market as planned, gaining the targeted brand recognition and registering a turnover beyond expectations.

healthcare

BACKGROUND

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

In 2017, the country had a total of around 2,099[16] hospital beds. Going forward, the number of beds is expected to increase through a €2 billion private public partnership with Steward Health Care, which the Government announced in 2015 (originally taken on by Vitals Global Healthcare). Steward Health Care is in the process of remodelling and refurbishing the current Gozo Hospital, Karin Grech Hospital and St Luke's Hospital.

During 2019, a new Orthopedics Ward was opened at the Gozo General Hospital. It will be dedicated to hosting patients following hip and knee replacement procedures as well as other operations.

During 2019, works commenced on a healthcare hub in Paola worth €40 million. The construction of the hub will cost €25 million, with the remainder of the investment earmarked to get the hospital up and running.

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.

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

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

NURSING AND ELDERLY HOME BEDS

According to Morningstar, the average age upon admittance to a nursing home is 79[17]. Considering a range of 75+, approximately 35,000[18] of the local population (7% of total) could opt for assisted living or accommodation in a nursing home. Due to Malta's aging population, there will be a continued increase in demand for long-term care with individuals experiencing significant waiting time to be accepted into long-term care facilities.

[16] Eurostat data: Hospital Beds by type of care
[17] Morningstar, "40 Must-Know Statistics About Long-term Care".
[18] National Statistics Office, Population Statistics 2018

Healthmark Care Services Limited

key milestones

2014

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

2015

The Malta Healthcare Caterers' partnership acquires land in Santa Lucija and a historical building in Mtarfa to develop homes for the elderly and elderly suffering from dementia

2016

The service offering is widened to include domiciliary care for the elderly

2017

Malta Healthcare Caterers Ltd is awarded the concession for the construction and day-to-day operation of an additional 500 beds at SVPR. Malta Healthcare is also to set up an onsite kitchen and to provide day-to-day catering services to residents. The capital investment injected by Malta Healthcare is estimated at around €30 million

BACKGROUND

In 2014, through its partnership in Malta Healthcare Caterers Limited, the Group acquired two existing healthcare sector companies and set up 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 Malta Memorial District Nursing Association (MMDNA) operation, substantially increasing its headcount and service offering. Furthermore, in January 2016, the company expanded again to offer domiciliary care for the elderly.

Today, Healthmark has a pool of 156 professional nurses, 194 staff members providing domiciliary care for the elderly and over 1,900 trained care assistants. These numbers are on the increase in light of the high demand for these services in Malta. In fact, having increased its headcount by 6.2%, Healthmark is now the largest employer of healthcare professionals in the country. Operationally, its staff work on contracts in various hospitals, clinics, retirement homes, schools, and in private residences.

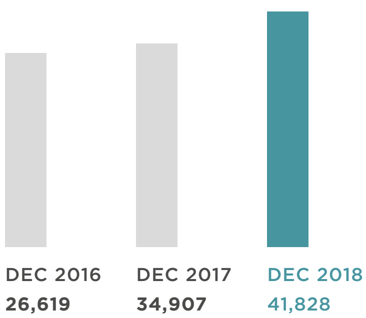
In 2017, Malta Healthcare Caterers Ltd was awarded a concession for the provision of services at SVPR a senior living care residence, under a PPP arrangement. Malta Healthcare is to construct four new blocks to accommodate an additional 500 residents at SVPR and provide management services including nursing, caring, housekeeping, catering, amongst others, for the additional 500 beds at SVPR under a 15-year agreement. Furthermore, Malta Healthcare is to construct and operate a fully equipped kitchen on-site, to provide catering services for the existing 1,100 beds within the residence. The construction of the four new blocks is currently in its initial phases.

In 2018, the companies constituting the Group's healthcare division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited achieved the following results:

2018 RESULTS AND KPIS

REVENUE

(€000s)



CHANGE FY2017/FY2018	+19.8%

contract catering

OVERVIEW OF THE CONTRACT CATERING MARKET

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

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

key 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

2007

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

2012

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

2017

Under a 10-year catering agreement, Malta Healthcare Caterers Ltd is awarded the supply of meals to 1,100 beds at Saint Vincent de Paule Residence

key contracts

MALTA HEALTHCARE CATERERS LIMITED

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

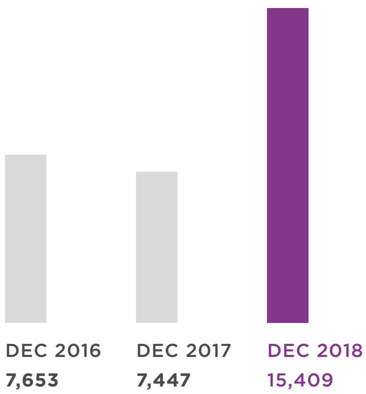
The company has been successfully providing such a service to Mater Dei, St Luke's and Sir Paul Boffa hospitals since 2007, and to the Gozo General Hospital since 2013 and Saint Vincent de Paule Residence since 2014. The company also started providing meals for the new Oncology Hospital, which started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

In 2017, under a 10-year catering agreement, Malta Healthcare Caterers Ltd was awarded the contract for the supply of meals for residents at Saint Vincent de Paule. It is also entrusted with the setting up of an on-site, fully equipped catering centre.

2018 RESULTS AND KPIS

REVENUE

(€000s)



CHANGE
FY2017/FY2018 **+106.9%**

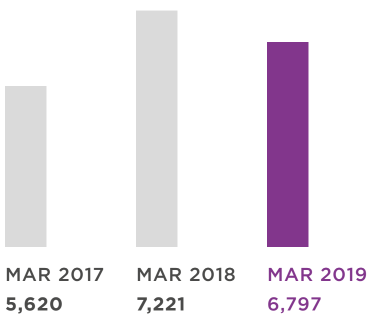
SKY GOURMET MALTA LIMITED

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

2019 RESULTS AND KPIS

REVENUE

(€000s)



CHANGE FY2018/FY2019	-5.9%

property development

key milestones

1991

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

2009

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

2012

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

2013

A submission for land reclamation is sent to the Maltese Government

2015

The Group completes a block of luxury apartments in Mellieħa Bay

2017

A contract is signed to build the db City Centre project in St George's Bay, Paceville with an investment of €300 million

OVERVIEW OF PROJECTS CARRIED OUT

Initially, the Group strategically entered the property development market to develop its own projects. Eventually, it expanded its operations to service 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 extension project, with an investment of €40 million, was completed in a record 8-month period.

Additionally, Siar Property Investments Limited 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.

WHERE ARE WE HEADING?

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

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

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

In 2019, the db Group continued with its submissions and preparatory works on the db City Centre on the former ITS site in St George's Bay, St Julian's. Envisaged as a destination offering a total high end lifestyle experience, the City Centre will feature a three-storey shopping mall, a residential tower housing upmarket residences, office space, bars, restaurants, a café on the beach and a sky roof top bar, as well as the 5-star Hard Rock Hotel. The proposed Hard Rock Hotel is planned to span over 17 levels and will have 438 rooms, together with a state of the art spa and fitness centre and indoor and outdoor pools. The Group envisions that the project will be completed by 2022.

...moving forward

db CITY CENTRE AND HARD ROCK HOTEL

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

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

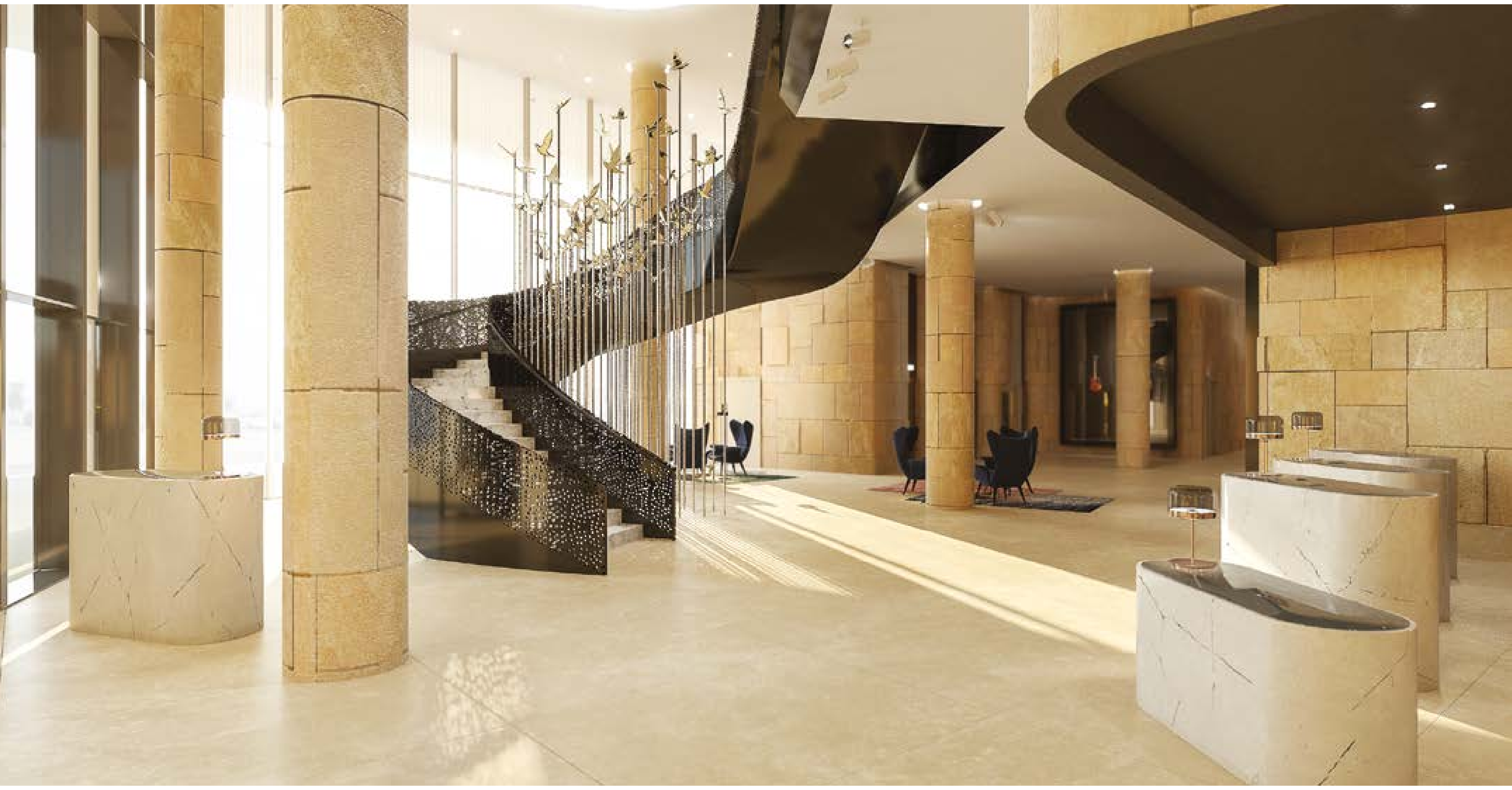
The Group is currently awaiting the hearing of its permit application following the controversial revocation of the permit granted to it in 2018 as a result of a Court of Appeal decision faulting the Planning Authority.

The Hard Rock International brand itself is currently present in 75 countries, with more than 180 cafés, 24 hotels, and 11 casinos. The brand mission is to spread the spirit of rock n' roll by creating authentic experiences for its customers. Some of the greatest stars in the world - Ringo Starr, Jon Bon Jovi, Eric Clapton and Rihanna, to name a few – actively associate themselves with the Hard Rock Brand. Hard Rock is also closely partnered with Microsoft, Nobu, Fender, 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 11 Hard Rock Hotels around the world, ranging from China to New York to Malta. Europe currently has only four Hard Rock Hotels - London, Davos, Ibiza and Tenerife, affirming that Malta's combination of sea and sun is a recipe for success.

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

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



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

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

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

The City Centre is designed to be a hive of activity, typical of the world’s most cutting-edge capitals. Furthermore, the Hotel will be part of an upmarket mixed tourism and leisure project. In addition to the 5-star Hard Rock Hotel, the City Centre will feature a shopping mall, over 30 floors of residential space, office areas, private wine cellars, a private infinity pool, restaurants, a marina, a café on the beach and a sky rooftop bar with panoramic views.

The proposed Hard Rock Hotel is planned to span over 17 levels and will house 438 rooms, the majority of which with a sea view. It will feature a fully equipped Rock spa, a Body Rock fitness centre, indoor and outdoor pools, as well as a number of bars, including the Sky Bar, and restaurants.

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

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

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

corporate social responsibility

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

Our people

The Group employs, in aggregate, 3,260 employees

Our localities & communities

Our establishments are situated across the Maltese island

Our planet

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

OUR COMMUNITIES

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

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

Music events and village feasts are an integral part of Maltese culture. In 2018, the Group supported the Adeera Complex Mellieħa Fireworks annual concert, Malta Community Chest Fund, Puttinu Cares Foundation, Moviment Missjunarju 'Ġesù fil-Proxxmu', along with various other cultural and social organisations in Mellieħa.

In previous years, the Group had also supported the Hard Rock Café Malta Beland Music Festival, the Mellieħa Fireworks Festival and Ruslana Live. Hard Rock Café Malta had sponsored the national concert "Rockestra" and the Ivan Grech Live in Concert in aid of ALS Malta. Furthermore, through Hard Rock International, funds were donated to Dr Klown Malta. These funds were used to buy musical instruments for the Dr Klowns to continue spreading joy through music in the hearts of children recovering in hospital.

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

The Group had also supported the setting up of the Kika Shuba Day Centre of the 'Jesus in thy neighbour' missionary movement and the creation of the Francis Xavier Cardinal Van Thuan Home in Ethiopia, 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.

OUR PLANET

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

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

Waste management

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

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

Energy Saving

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

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

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

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

Water Saving

Hotels and resorts, almost by definition, consume vast amounts of water. Yet, establishments belonging to the Group are mainly 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 5.7 million 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 regularly trained on the environmental effects of tourism. Additionally, guests are encouraged to participate in the Group's environmentally friendly measures (re-using plastic bottles, reusing towels and bed sheets, using water responsibly and so on).

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

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

corporate governance

THE AUDIT COMMITTEE

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

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

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

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

THE BOARD OF DIRECTORS OF THE ISSUER AND THE GUARANTOR

SD Finance plc's Board of Directors is composed of three executive directors – Mr Silvio Debono, Mr Arthur Gauci and Mr Robert Debono. It also includes three non-executive directors – Mr Stephen Muscat, Dr 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 of Mr Silvio Debono, Mr Arthur Gauci, Mr Robert Debono, Ms Victoria Debono, Mr Vincent Degiorgio and Mr Jesmond Vella.

SD Holdings Limited

ANNUAL REPORT
AND CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2019

Director's Report

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 two hotels: the db Seabank Resort + SPA situated at Għadira Bay Mellieħa and the db San Antonio Hotel + SPA situated in Bugibba. It also operates and owns the restaurant amenities at the Tunny Net Complex (now restyled as Adeera) and operates three outlets under the Hard Rock Café franchise.

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

REVIEW OF BUSINESS

Total revenue for the group during the year under review reached €56.1 million resulting in a year on year increase of €5.9 million (+11.7%). This incremental revenue reflected itself in an earnings before interest, tax, depreciation and amortisation (EBITDA) which continues to show a positive trajectory, factoring in at €26.4 million as against €21.6 million registered for 2018 (+22.5%). These results further consolidate the margin of profit or return on turnover generated at 47%, showing an improvement on the 2018 comparative ratio at 43%. The group continues to witness an increase across all its revenue streams, particularly in the hospitality and leisure sector. The main driver within this segment of revenues is the improved yields on hotel accommodation. These numbers reflect another record year in terms of profitability for the group.

This performance led to an improvement in net profit of €3.1 million, factoring in at €10.7million against comparative for 2018 of €7.6 million. Net finance costs at €2.9 million were considerably lower by €0.56 million on 2018 comparatives. The overall hotel portfolio occupancy continued on a strong footing, retaining the 80% on an annualised basis. The business is spread across the entire 12 months of the year which is now reaching a consolidation point after a number of successive years of growth.

The food, beverage and merchandise components continue to factor in positive growth trends at 11%. Further growth is expected from this segment over the next 12 months following the rolling out of a number of new eateries and the world renowned *Starbucks* outlets.

The group's balance sheet value now equates at €317 million. The increase from prior year is primarily emanating from the revaluation of the group's hotels by €74 million. Further increases in capital expenditure included €5.4 million in property, plant and equipment primarily relating to the uplifting and refurbishments of the group's amenities and €6 million in the group's City Centre, classified within investment property. The group's equity base saw an increase of €68.8 million, this being mainly the result of the revaluation exercise of the two hotel properties owned by the group as noted above.

Director's Report continued

REVIEW OF BUSINESS continued

As a result, the group's gearing ratio witnessed a downward movement and now stands at 32% as against 50% for 2018.

Cash and cash equivalents, net of overdrafts stood at €10.4 million, an improvement of €1.96 million over 2018 comparatives. This is reflected in a net interest rate cover of 9 multiple against a 6.2 multiple in the prior year.

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

OUTLOOK FOR THE FINANCIAL YEAR ENDING 2020

The outlook for 2020 remains a positive one and early results for the year are encouraging showing further improvement in business results for the group. The performances of all segments within the group point towards sustaining this year's results both as a result of the macro element effect generated from tourism in general together with the group's continued investment in its existing properties and the opening of new business units.

The group has now completed a €4 million state of the art kitchen at Saint Vincent de Paule Residence, which will further improve the quality of service and grant the group greater operational flexibility to serve one of its major clients in this sector. Additionally, work has now started on the extension of the same residence which, once completed, will see the addition of another 504 beds.
This investment is being undertaken by Malta Healthcare Caterers Limited, an associate of the group.

Negotiations on a revised business concept were also successfully concluded with the national carrier, Air Malta. The new concept also saw the introduction of the buy on board concept to economy class passengers.

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

FINANCIAL RISK MANAGEMENT

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

Director's Report continued

RESULTS AND DIVIDENDS

The consolidated financial results are set out on page 112. The directors do not recommend the payment of a dividend.

Retained earnings carried forward at the end of the financial reporting period for the group amounted to €33,945,259 (2018: €24,254,767).

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.

Director's Report continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS continued

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

The financial statements of SD Holdings Limited for the year ended 31 March 2019 are included in the Annual Report and Consolidated Financial Statements 2019, 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 reappointment will be proposed at the Annual General Meeting.

On behalf of the board

SILVIO DEBONO
Director

ARTHUR GAUCI
Director

Registered office:
Seabank Hotel,
Marfa Road,
Għadira, Malta

31 July 2019

pwc

Independent auditor's report

To the Shareholders of SD Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- SD Holdings Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 March 2019, 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 110 to 176, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Other information

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

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

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

31 July 2019

Statements of Financial Position

AS AT 31 MARCH

		GROUP		COMPANY	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**205,207,368**	132,847,964	**-**	-
Investment property	5	**71,553,630**	65,500,697	**-**	-
Intangible assets	6	**287,608**	486,060	**-**	-
Investments in subsidiaries	7	**-**	-	**35,912,741**	17,022,572
Investments in associates	8	**7,757,226**	6,163,760	**5,400**	900
Deferred tax assets	9	**1,363,394**	4,024,124	**-**	-
Trade and other receivables	10	**75,000**	-	**-**	-
Total non-current assets		**286,244,226**	209,022,605	**35,918,141**	17,023,472
Current assets					
Inventories	11	**1,219,608**	1,207,104	**-**	-
Trade and other receivables	10	**18,094,555**	10,050,652	**2,239,029**	8,930,707
Cash and cash equivalents	12	**11,004,457**	9,602,044	**4,450,162**	1,955,735
Total current assets		**30,318,620**	20,859,800	**6,689,191**	10,886,442
Total assets		**316,562,846**	229,882,405	**42,607,332**	27,909,914

Statements of Financial Position

continued

		AS AT 31 MARCH			
		GROUP		COMPANY	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Revaluation reserve	14	**81,706,384**	22,585,765	**-**	-
Other reserves	16	**12,930,164**	12,930,164	**-**	-
Retained earnings/(accumulated losses)		**33,945,259**	24,254,767	**(41,581)**	(38,288)
Total equity		**132,581,807**	63,770,696	**3,958,419**	3,961,712
					-
Non-current liabilities					
Trade and other payables	18	**59,932,547**	58,598,213	**-**	-
Borrowings	19	**72,535,616**	72,456,082	**1,488,101**	1,488,101
Deferred Government grants	20	**9,641**	14,462	**-**	-
Deferred tax liabilities	9	**22,258,251**	6,633,267	**-**	-
Total non-current liabilities		**154,736,055**	137,702,024	**1,488,101**	1,488,101
Current liabilities					
Trade and other payables	18	**27,083,264**	26,926,403	**37,160,812**	22,460,101
Current tax liabilities		**1,393,802**	181,178	**-**	-
Borrowings	19	**763,097**	1,293,283	**-**	-
Deferred Government grants	20	**4,821**	8,821	**-**	-
Total current liabilities		**29,244,984**	28,409,685	**37,160,812**	22,460,101
Total liabilities		**183,981,039**	166,111,709	**38,648,913**	23,948,202
Total equity and liabilities		**316,562,846**	229,882,405	**42,607,332**	27,909,914

The notes on pages 118 to 176 are an integral part of these financial statements.
The financial statements on pages 110 to 176 were authorised for issue and signed by the board of directors on 31 July 2019 and were signed on its behalf by:

SILVIO DEBONO
Director

ARTHUR GAUCI
Director

Income Statements

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	2019	2018	2019	2018
		€	€	€	€
Revenue	21	56,121,129	50,258,683	-	-
Cost of sales	22	(36,980,866)	(33,609,107)	-	-
Gross profit		19,140,263	16,649,576	-	-
Selling expenses	22	(401,542)	(324,958)	-	-
Administrative expenses	22	(2,748,830)	(2,467,431)	(17,750)	(16,677)
Movement in credit loss allowance	22	1,085,091	(216,981)	-	-
Other operating income	24	360,989	316,600	14,457	-
Operating profit/(loss)		17,435,971	13,956,806	(3,293)	(16,677)
Finance income	25	14,524	6,140	68,344	75,128
Finance costs	25	(2,943,944)	(3,494,098)	(68,344)	(73,413)
Share of results of associates	8	1,588,966	912,015	-	-
Profit/(loss) before tax		16,095,517	11,380,863	(3,293)	(14,962)
Tax expense	26	(5,402,891)	(3,789,887)	-	(201)
Profit/(loss) for the year		10,692,626	7,590,976	(3,293)	(15,163)

The notes on pages 118 to 176 are an integral part of these financial statements.

Statements of comprehensive income

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	2019	2018	2019	2018
		€	€	€	€
Profit/(loss) for the year		**10,692,626**	7,590,976	**(3,293)**	(15,163)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges, net of deferred tax	15	**-**	34,727	**-**	-
Items that will not be subsequently reclassified to profit or loss					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	14	**59,120,619**	-	**-**	-
Total other comprehensive income		**59,120,619**	34,727	**-**	-
Total comprehensive income for the year		**69,813,245**	7,625,703	**(3,293)**	(15,163)

The notes on pages 118 to 176 are an integral part of these financial statements.

Statements of changes in equity

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

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

Statements of changes in equity

continued

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

	Notes	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 April 2018 - as originally reported		4,000,000	22,585,765	12,930,164	24,254,767	63,770,696
Impact of change in accounting policies						
Transition adjustment upon adoption of IFRS 9 on 1 April 2018	1.1.1	-	-	-	(1,002,134)	(1,002,134)
Balance at 1 April 2018 - as restated		4,000,000	22,585,765	12,930,164	23,252,633	62,768,562
Comprehensive income						
Profit for the year		-	-	-	10,692,626	10,692,626
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	14	-	59,120,619	-	-	59,120,619
Total comprehensive income		-	59,120,619	-	10,692,626	69,813,245
Balance at 31 March 2019		**4,000,000**	**81,706,384**	**12,930,164**	**33,945,259**	**132,581,807**

Statements of changes in equity

continued

COMPANY

	Notes	Share capital	Accumulated losses	Total
		€	€	€
Balance at 1 April 2017		4,000,000	(19,910)	3,980,090
Comprehensive income				
Loss for the year				
- total comprehensive income		-	(15,163)	(15,163)
Transactions with owners				
Adjustment arising upon merger	7	-	(3,215)	(3,215)
Balance at 31 March 2018		4,000,000	(38,288)	3,961,712
Comprehensive income				
Loss for the year				
- total comprehensive income		-	(3,293)	(3,293)
Balance at 31 March 2019		**4,000,000**	**(41,581)**	**3,958,419**

The notes on pages 118 to 176 are an integral part of these financial statements.

Statements of cash flows

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	28	**24,809,203**	19,455,086	**2,510,913**	466,839
Net interest paid		**(2,825,898)**	(3,411,610)	**-**	(240)
Tax paid		**(362,616)**	(415,520)	**-**	(201)
Net cash generated from operating activities		**21,620,689**	15,627,956	**2,510,913**	466,398
Cash flows from investing activities					
Payments of property, plant and equipment		**(6,244,114)**	(5,118,727)	**-**	-
Proceeds from disposal of property, plant and equipment		**3,500**	50,000	**-**	-
Payments for investment property and related property development expenditure		**(13,375,623)**	(5,360,430)	**-**	-
Payments for intangible assets		**(43,365)**	-	**-**	-
Consideration paid for investments in subsidiaries and associates		**(4,500)**	-	**(16,486)**	(500,000)
Net cash used in investing activities		**(19,664,102)**	(10,429,157)	**(16,486)**	(500,000)
Cash flows from financing activities					
Proceeds from the issuance of bonds	19	**-**	65,000,000	**-**	-
Payments for bond issue costs	19	**-**	(924,036)	**-**	-
Proceeds from bank borrowings	19	**-**	8,447,702	**-**	-
Repayments of bank borrowings	19	**-**	(62,174,040)	**-**	(1,525,082)
Proceeds from advances from subsidary	19	**-**	-	**-**	1,488,101
Payments in respect of redeemable		**-**			
non-cumulative preference shares	17	**-**	(9,552,805)	**-**	-
Net cash generated from/(used in) financing activities		**-**	796,821	**-**	(36,981)
Net movements in cash and cash equivalents		**1,956,587**	5,995,620	**2,494,427**	(70,583)
Cash and cash equivalents acquired upon merger	7	**-**	-	**-**	120
Cash and cash equivalents at beginning of year		**8,452,693**	2,457,073	**1,955,735**	2,026,198
Cash and cash equivalents at end of year	12	**10,409,280**	8,452,693	**4,450,162**	1,955,735

The notes on pages 118 to 176 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).

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 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the group's accounting policies impacting the group's financial performance and position. The group had to change its accounting policies as a result of adopting IFRS 9 '*Financial instruments*' and IFRS 15 '*Revenue from Contracts with Customers*'. The new accounting policies are disclosed in Notes 1.8 and 1.20 below. On transition to IFRS 9 the group had to make retrospective adjustments as a result of adopting the standard and the impact of the adoption of this standard is disclosed in Note 1.1.1.

The group did not require retrospective adjustments upon adopting IFRS 15. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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

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 group's accounting periods beginning after 1 April 2018. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the group's directors are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.1 BASIS OF PREPARATION continued

IFRS 16, 'Leases'

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 a consideration. IFRS 16 removes the distinction between operating and finance leases for lessees, and requires them to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; the only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019. The group will apply the standard from its mandatory adoption date of 1 April 2019 and will apply the simplified transition approach. Under this approach, the group will not restate comparative amounts for the year prior to first adoption, the lease liability is measured at the present value of the remaining lease payments as at 1 April 2019, and the right-of-use assets at that date will be measured at an amount equivalent to this lease liability plus prepaid lease expenses.

The group has entered into lease arrangements for the use of immovable properties; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the group has non-cancellable operating lease commitments in respect of the lease of these immovable properties which amounted to €9,149,000.

Management has estimated that the lease liability for the group's lease arrangement amounts to circa €3,124,000, and the right-of-use asset at that date amounts to circa €3,145,000, which is inclusive of the prepaid rent at 1 April 2019; management is assessing the impact on deferred tax balances, and there is no adjustment to equity upon initial application of the standard. The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure on this arrangement by amortisation of the right-of-use asset, and by an interest cost on the lease liability. Management estimates that rental costs on this arrangement, amounting to around €1,294,000 for the year ending 31 March 2019, will be replaced by an annual amortisation charge on the right-of-use asset amounting to €432,000 and a notional interest expense of €198,000. The adoption of IFRS 16 will therefore result in an increase of circa €664,000 in profitability for the year ending 31 March 2020.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the group's statement of cash flows. The reduction in lease liability, amounting to €360,000 for the year ending 31 March 2020, will accordingly be reported as a financing cash flow instead of an operating cash flow. The Company is assessing whether to present rental payments allocated to interest, amounting to €198,000 for the year ending 31 March 2020, as financing cash flows or as operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.1 BASIS OF PREPARATION continued

1.1.1 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9, 'Financial Instruments' on the group's combined financial statements.

(a) Impact on the financial statements

As a result of the changes in the group's accounting policies and as explained below in 1.1.1(b), IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening statement of financial position on 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

STATEMENT OF FINANCIAL POSITION (extract)

	1 APRIL 2018		
	Based on 31 March 2018 figures as originally stated	Impact of adoption of IFRS 9	As restated
	€	€	€
ASSETS			
Current assets			
Trade and other receivables	10,050,652	(1,541,745)	8,508,907
Total assets	229,882,405	(1,541,745)	228,340,660
EQUITY AND LIABILITIES			
Equity			
Retained earnings	24,254,767	(1,002,134)	23,252,633
Total equity	63,770,696	(1,002,134)	62,768,562
Non-current liabilities			
Deferred tax	6,633,267	(539,611)	6,093,656
Total liabilities	166,111,709	(539,611)	165,572,098

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.1 BASIS OF PREPARATION continued

1.1.1 CHANGES IN ACCOUNTING POLICIES continued

(b) IFRS 9, 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, 'Financial Instruments' from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.8. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the group's equity as at 1 April 2018 is disclosed above and related to the increase in impairment allowances on trade and other receivables.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to its financial assets and has classified its financial instruments into the appropriate IFRS 9 categories. The group's key financial assets presented in the statement of financial position, comprising trade and other receivables and cash equivalents, were classified as loans and receivables measured at amortised cost for IAS 39 purposes and remain categorised as financial assets measured at amortised cost under IFRS 9 requirements.

(ii) Impairment of financial assets

The group was required to revise its impairment methodology under IFRS 9 for trade receivables and contract assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table above.

While amounts receivable from related parties, other receivables and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was insignificant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.1 BASIS OF PREPARATION continued

1.1.1 CHANGES IN ACCOUNTING POLICIES continued

Trade receivables and contract assets

For trade receivable and contract assets, the group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 April 2018 was determined as follows for both trade receivables and contract assets:

1 April 2018	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+121 days past due	Total
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	-
Gross carrying amount (€)	928,716	535,014	395,932	267,337	4,528,756	6,655,755
Loss allowance (€)	37,149	26,751	27,715	32,080	1,635,031	1,758,726

	€
Loss allowance as at 31 March 2018 - utilising IAS 39 principles (incurred loss model)	216,981
Amounts reflected through restatement of opening retained earnings as at 1 April 2018	1,541,745
Opening impairment loss allowance as at 1 April 2018 – utilising IFRS 9 principles (expected loss model)	**1,758,726**

The movements in the impairment loss allowances during the current financial year are disclosed in Note 22.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.2 CONSOLIDATION continued

(a) Subsidiaries continued

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 2017.

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.

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 are reviewed for possible reversal of the impairment at the end of each reporting period.

1.8 FINANCIAL ASSETS

Classification

From 1 April 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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 are recognised on settlement date, the date on which an asset is delivered to or by the group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the 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

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group may classify its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

(b) Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.8 FINANCIAL ASSETS continued

Impairment

From 1 April 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 2 for further details).

1.9 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.

1.10 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.11 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.

1.12 SHARE CAPITAL

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.13 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 IFRS 9. 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.

1.14 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.

1.15 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.

1.16 DEFERRED GOVERNMENT GRANTS

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.17 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.

1.18 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.

1.19 CURRENT AND DEFERRED TAX

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.20 REVENUE RECOGNITION

Revenues include all revenues from the ordinary business activities of the group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The group's business principally comprises sales of goods and services in the hospitality industry.

(a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the group's recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the group fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Sales from hospitality and ancillary services

Revenue from services is generally recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue arising from hospitality activities is recognised when the service is performed and/or when the goods (primarily food and beverage relating restaurant and bar sales) are supplied upon performance of the service. Revenue is usually in cash, credit card or on credit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.20 REVENUE RECOGNITION continued

A group undertaking also operates a number of rooms on a timeshare basis. In the case of timeshare, customers buy the right to a slot in a given time period, for which the customer must make an up-front payment. Subsequently, the customer must also make annual contributions to the scheme to cover the share of maintenance costs. The customers get the benefits (i.e. control over the promise) with every passing day of each year's stay at the vacation apartment/suite. The revenue stream therefore meets the conditions for revenue recognition over time (i.e. stage of completion), and revenue is accordingly recognised on a daily basis of accommodation.

Sales of goods – retail

Sales of goods are recognized when the group has delivered products to the customer and there are no unfulfilled obligations 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. Retail sales are usually in cash or by credit card.

Financing

The group does not expect to have material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(b) **Interest income** is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

(c) **Dividend income** is recognised when the right to receive payment is established.

(d) **Other operating income** is recognised on an accrual basis unless collectibility is in doubt.

1.21 CUSTOMER CONTRACT ASSETS AND LIABILITIES

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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. Such instruments matured during the current year.

1.24 DIVIDEND DISTRIBUTION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.25 ACCOUNTING POLICIES APPLICABLE UNTIL 31 MARCH 2018

1.25.1 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 1.25.2, 1.25.3 and 1.11).

Recognition and measurement

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

Impairment

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.25 ACCOUNTING POLICIES APPLICABLE UNTIL 31 MARCH 2018 continued

1.25.1 FINANCIAL ASSETS continued

Impairment continued

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of receivables is described in Note 1.10.

1.25.2 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.

1.25.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.25 ACCOUNTING POLICIES APPLICABLE UNTIL 31 MARCH 2018 continued

1.25.4 REVENUE RECOGNITION

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

(a) Sales of goods

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

(b) Sales of services

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

(c) Dividend income

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

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 prior years, in order to manage exposures attributable to risks arising from fluctuations in interest rates, a group undertaking made use of derivative financial instruments by entering into an interest rate swap agreement with a major local banking institution. Such instruments matured during the preceding financial year.

2. FINANCIAL RISK MANAGEMENT continued

2.1 FINANCIAL RISK FACTORS continued

(a) Market risk

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

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

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

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

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

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	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Financial assets measured at amortised cost:					
Trade and other receivables	10	**10,437,559**	9,413,337	**21,330,625**	8,930,708
Cash and cash equivalents	12	**10,409,280**	8,452,693	**4,450,162**	1,953,735
		20,846,839	17,866,030	**25,780,787**	10,884,443

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 figures disclosed above in respect of trade and other receivables exclude indirect taxation and prepayments.

Cash and cash equivalents

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating or nothing and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Trade receivables (including contract assets)

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.

2. FINANCIAL RISK MANAGEMENT continued

2.1 FINANCIAL RISK FACTORS continued

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.

Impairment of trade receivables (including contract assets)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation and adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

On that basis, the loss allowance for the group as at 31 March 2019 and 1 April 2018 (upon adoption of IFRS 9) was determined as follows:

	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+121 days past due	Total
31 March 2019						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	-
Gross carrying amount (€)	1,527,649	952,887	626,497	273,496	2,299,603	5,680,132
Loss allowance (€)	**29,703**	**29,256**	**20,457**	**16,389**	**577,830**	**673,635**
1 April 2018						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	-
Gross carrying amount (€)	928,716	535,014	395,932	267,337	4,528,756	6,655,755
Loss allowance (€)	37,149	26,751	27,715	32,080	1,635,031	1,758,726

2. FINANCIAL RISK MANAGEMENT continued

2.1 FINANCIAL RISK FACTORS continued

The group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The group does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed in Note 22.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than a year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 March 2019 and 2018, the group's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the group's trade receivables figures.

Amounts owed by related parties and other receivables

The group's and the company's receivables also include amounts owed by related parties forming part of the db Group, associates and other related parties (refer to Note 10). The group's treasury monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group 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.

With respect to the group's and the company's current amounts owed by related parties and other receivables, since such balances are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. In this respect, the directors considered such balances to have low credit risk and a low risk of default. Accordingly, the expected credit loss allowance attributable to amounts owed by related parties and other receivables was deemed immaterial to be recognised in the opening balance sheet on 1 April 2018 and as at 31 March 2019.

2. FINANCIAL RISK MANAGEMENT continued

2.1 FINANCIAL RISK FACTORS continued

(c) Liquidity risk

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

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the group within certain parameters. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above. Furthermore, after considering the financing options available (disclosed in Note 19) and the support from related parties and the shareholder, the directors are confident that the group and the company are in a position to meet commitments as and when they fall due.

2. FINANCIAL RISK MANAGEMENT continued

2.1 FINANCIAL RISK FACTORS continued

(c) Liquidity risk 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 2019					
Bank borrowings	**1,097,028**	**885,735**	**2,524,346**	**7,550,895**	**12,058,004**
Bonds	**2,827,500**	**2,827,500**	**8,482,500**	**76,310,000**	**90,447,500**
Due to Government in relation to purchase of land	**1,429,571**	**1,429,571**	**8,973,241**	**165,675,366**	**177,507,749**
Trade and other payables	**17,461,395**	**-**	**-**	**-**	**17,461,395**
At 31 March 2018					
Bank borrowings	1,501,156	332,151	2,590,776	8,370,200	12,794,283
Bonds	2,827,500	2,827,500	8,482,500	79,137,500	93,275,000
Due to Government in relation to purchase of land	1,429,571	1,429,571	7,411,732	168,666,445	178,937,319
Trade and other payables	17,128,210	-	-	-	17,128,210
COMPANY					
At 31 March 2019					
Loan advanced from subsidiary	**-**	**67,709**	**203,126**	**1,758,935**	**2,029,769**
Trade and other payables	**37,160,812**	**-**	**-**	**-**	**37,160,812**
At 31 March 2018					
Loan advanced from subsidiary	1,569	67,709	203,126	1,826,643	2,099,047
Trade and other payables	22,460,101	-	-	-	22,460,101

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	
	2019	2018
	€	€
Total external borrowings	**73,298,713**	73,749,365
Less: cash at bank and in hand	**(11,004,457)**	(9,602,044)
Net debt	**62,294,256**	64,147,321
Equity – as shown in the consolidated statement of financial position	**132,581,807**	63,770,696
Net amounts owed (by)/to ultimate shareholder	**(59,166)**	241,461
Total equity	**132,522,641**	64,012,157
Total capital	**194,816,897**	128,159,478
Net debt/total capital	**32%**	50%

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

Financial instruments not carried at fair value

At 31 March 2019 and 2018 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and short-term borrowings, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current payables and bank borrowings at floating interest rates as at the reporting date is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, ' Financial instruments: Disclosures'. Information on the fair value of the company's bonds issued to the general public is disclosed in Note 19 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land & buildings	Assets in course of construction & payments on account	Computer equipment	Furniture, fixtures & fittings	Motor vehicles	Plant, machinery & operational equipment	Audio visual equipment	Total
	€	€	€	€	€	€	€	€
At 31 March 2017								
Cost or valuation	90,521,948	726,081	314,387	50,676,992	694,494	12,233,949	78,803	155,246,654
Accumulated depreciation	(525,911)	-	(311,344)	(15,505,617)	(441,137)	(4,672,991)	(73,935)	(21,530,935)
Net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Year ended 31 March 2018								
Opening net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Additions	318,229	1,845,050	16,105	2,096,468	108,839	1,268,895	-	5,653,586
Commissioned assets	-	(271,201)	-	271,201	-	-	-	-
Disposals	-	-	-	-	(117,073)	-	-	(117,073)
Depreciation charge	(526,894)	-	(10,129)	(4,866,864)	(97,261)	(994,308)	(2,033)	(6,497,489)
Depreciation release on disposals	-	-	-	-	93,221	-	-	93,221
Closing net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964
At 31 March 2018								
Cost or valuation	90,840,177	2,299,930	330,492	53,044,661	686,260	13,502,844	78,803	160,783,167
Accumulated depreciation	(1,052,805)	-	(321,473)	(20,372,481)	(445,177)	(5,667,299)	(75,968)	(27,935,203)
Net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964
Year ended 31 March 2019								
Opening net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964
Additions	733,158	3,327,331	17,476	1,230,182	38,048	65,588	-	5,411,783
Revaluation surplus (Note 14)	74,118,293	-	-	-	-	-	-	74,118,293
Commissioned assets	727,918	(4,068,818)	58,932	1,313,731	-	1,968,237	-	-
Disposals	-	-	(41,469)	(694,255)	(45,870)	(755,750)	-	(1,537,344)
Depreciation charge	(601,560)	-	(23,534)	(5,219,328)	(88,875)	(1,231,341)	(2,034)	(7,166,672)
Depreciation release on disposals	-	-	41,469	694,255	41,870	755,750	-	1,533,344
Closing net book amount	**164,765,181**	**1,558,443**	**61,893**	**29,996,765**	**186,256**	**8,638,029**	**801**	**205,207,368**
At 31 March 2019								
Cost or valuation	166,419,546	1,558,443	365,431	54,894,319	678,438	14,780,919	78,803	238,775,899
Accumulated depreciation	(1,654,365)	-	(303,538)	(24,897,554)	(492,182)	(6,142,890)	(78,002)	(33,568,531)
Net book amount	**164,765,181**	**1,558,443**	**61,893**	**29,996,765**	**186,256**	**8,638,029**	**801**	**205,207,368**

4. PROPERTY, PLANT AND EQUIPMENT continued

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 2019 by an independent professionally qualified valuer. The book value of the properties has 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).

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 2019 and 2018, the fair values were deemed to fairly approximate the carrying amounts.

The group's and company's policy is to revalue land and buildings at least every three years.

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 valuer; 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 valuer. The officers report to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 March 2019 have been performed using the discounted cash flow, being the valuation technique considered by the external valuer to be the most appropriate for the group's properties. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs used are generally those described below:

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

The significant unobservable inputs utilised with this technique include:

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT continued

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2019

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)	**163,200**	DCF approach	EBITDA	€8,900,000 to €11,300,000
			Growth rate	2% per annum
			Discount rate	8.0% to 8.5% (post-tax)

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

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

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

At 31 March 2019 and 2018, the directors consider the current use of the properties to be equivalent to the highest and best use.

4. PROPERTY, PLANT AND EQUIPMENT continued

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

	2019	2018
	€	€
Cost	**69,488,988**	68,027,912
Accumulated depreciation	**(4,226,979)**	(3,625,419)
Net book amount	**65,262,009**	64,402,493

5. INVESTMENT PROPERTY

	GROUP	
	2019	2018
	€	€
Year ended 31 March		
Opening cost and carrying amount	**65,500,697**	60,140,267
Additions resulting from subsequent expenditure	**6,052,933**	5,360,430
Closing cost and carrying amount	**71,553,630**	65,500,697

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 is still in the process of obtaining related definitive permits for development from the Planning Authority.

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

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land and related project. The additions, disclosed in the table above, also include capitalised borrowings costs of €1,727,714 (2018: €1,717,770) mainly representing the imputed interest component on the amounts due to the Government (refer to Note 18) and other capitalised interest costs of €412,112 (2018: €118,556). A weighted average capitalisation rate of 3.5% (2018: 3.5%) was utilised in this respect.

5. INVESTMENT PROPERTY continued

As at 31 March 2019 and 2018, following an assessment by the directors, the fair value of the property is deemed to fairly approximate its carrying amount.

In April 2018, DB San Gorg Property Limited (a subsidiary of SD Holdings Limited) entered into a promise of temporary emphyteutical concession agreement with DB Gauci Shopping Mall Limited (an associate of the db Group), with respect to the development of the shopping mall, the related car park spaces and related amenities that form part of the project described above. Such agreement is in accordance with the obligations entered into with the Government of Malta in the 99 year concession agreement referred to in Note 18.

6. INTANGIBLE ASSETS

	GROUP	
	2019	2018
Franchise license rights	**€**	€
Year ended 31 March		
Opening net book amount	**486,060**	727,826
Additions	**43,368**	-
Amortisation charge	**(241,820)**	(241,766)
Closing net book amount	**287,608**	486,060
At 31 March		
Cost	**3,008,634**	2,965,266
Accumulated amortisation	**(2,721,026)**	(2,479,206)
Net book amount	**287,608**	486,060

The intangible assets represent the value of franchise license rights and related brand costs, covering a period of fifteen to twenty years, to use the *Hard Rock Café* and the *Starbucks* brand names 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 respective franchise agreement.

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2019	2018
	€	€
Year ended 31 March		
Opening cost and carrying amount	**17,022,572**	16,522,812
Additions	**11,986**	500,000
Capital contribution for the year	**18,878,183**	-
Derecognition upon merger	**-**	(240)
Closing cost and carrying amount	**35,912,741**	17,022,572

7. INVESTMENTS IN SUBSIDIARIES continued

During 2019, the company entered into a contractual arrangement with DB San Gorg Property Limited to transfer advances amounting to €18.8 million to capital contribution reserve within the equity of the subsidiary (refer to Note 10).

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

	Registered Office	Class of shares held	Percentages of shares held 2019	2018
DB Catering & Events Ltd *(in dissolution)*	San Antonio Hotel and Spa Triq it-Turisti, St Paul's Bay, Malta	Ordinary shares	**100%**	100%
DB San Gorg Property Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Evergreen Travel Limited	Akara Building 24 De Castro Street, Wickhams Cay, Road Town, Tortola British Virgin Islands	Ordinary shares	**100%**	100%
Hotel San Antonio Limited	San Antonio Hotel and Spa Triq it-Turisti St Paul's Bay, Malta	Ordinary shares Preference A shares Preference B shares	**100%** **100%** **100%**	100% 100% 100%
J.D. Catering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
SA Marketing Company Limited	Grand Hotel Mercure San Antonio Tourists Street, St Paul's Bay, Malta	Ordinary shares	**100%**	100%
SD Finance plc	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%

7. INVESTMENTS IN SUBSIDIARIES continued

	Registered Office	Class of shares held	Percentages of shares held 2019	2018
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares Preference shares (refer to Note 17)	**100%** **100%**	100% 100%
Silverstars Boat Chartering Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%
Debar Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%

The shareholdings in DB Catering & Events Ltd, Seabank Hotel and Catering Limited and Silverstars Boat Chartering 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.

8. INVESTMENTS IN ASSOCIATES

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
	€	€	€	€
Year ended 31 March				
Opening carrying amount	**6,163,760**	5,251,745	**900**	900
Additions	**4,500**	-	**4,500**	-
Share of results	**1,588,966**	912,015	**-**	-
Closing carrying amount	**7,757,226**	6,163,760	**5,400**	900
At 31 March				
Cost	**1,680,263**	1,675,763	**5,400**	900
Share of results and reserves	**6,076,963**	4,487,997	**-**	-
Closing carrying amount	**7,757,226**	6,163,760	**5,400**	900

8. INVESTMENTS IN ASSOCIATES continued

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

	Registered Office	Class of shares held	Percentages of shares held	
			2019	2018
DP Road Construction Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary A shares	**45%**	45%
Malta Healthcare Caterers Limited	BLB 009Y, Bulebel, Industrial Estate, Żejtun, Malta	Ordinary shares	**50%**	50%
Porto Azzurro Limited	Ridott Street, Xemxija Hill, St Paul's Bay, Malta	Ordinary shares	**33.3%**	33.3%
Porto Azzurro Resort Club Limited	Porto Azurro Limited, Ridott Street, Xemxija Hill, St Paul's Bay, Malta	Ordinary shares	**33.3%**	33.3%
Sky Gourmet Malta Inflight Services Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%
Sky Gourmet Malta Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%
DB Gauci Shopping Mall Limited	Big Bon, Head office, Santa Tereza Square, off Naxxar Road Birkirkara Malta	Ordinary shares	**45%**	-

The shareholdings in DP Road Construction Limited and DB Gauci Shopping Mall Limited, are 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 and significant associates of the group are Malta Healthcare Caterers Limited and Sky Gourmet Malta Limited. The main activities of the Malta Healthcare Caterers Limited Group, is the provision of healthcare 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 2018. 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 2018, 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	
	2018	2017	**2019**	2018
	€	€	**€**	€
Non-current assets	**11,698,071**	2,437,759	**326,562**	489,915
Current assets	**30,544,541**	23,627,744	**3,812,269**	2,834,476
Non-current liabilities	**(7,984,542)**	(77,812)	**(52,699)**	(67,261)
Current liabilities	**(25,560,419)**	(20,431,478)	**(2,084,997)**	(1,531,780)
Net assets	**8,697,651**	5,556,213	**2,001,135**	1,725,350

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

8. INVESTMENTS IN ASSOCIATES continued

Summarised statements of comprehensive income

	MALTA HEALTHCARE CATERERS LIMITED		SKY GOURMET MALTA LIMITED	
	As at 31 December		As at 31 March	
	2018	2017	**2019**	2018
	€	€	**€**	€
Revenue	**56,471,929**	42,353,932	**6,796,826**	7,220,849
Profit/(loss) for the year				
- total comprehensive income	**2,931,967**	1,344,293	**275,785**	598,501

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**
	€	**€**	**€**	**€**
2019				
Porto Azzurro Limited	910,812	(572,219)	520,300	36,198
Sky Gourmet Malta Inflight Services Limited	129,321	(1,794)	352,358	4,049
2018				
Porto Azzurro Limited	956,020	(653,625)	468,601	54,732
Sky Gourmet Malta Inflight Services Limited	125,819	(2,342)	474,707	5,586

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

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	
	2019	2018
	€	€
Year ended 31 March		
At beginning of year - as originally reported	**(2,609,143)**	887,818
Impact upon adoption of IFRS 9 on 1 April 2018	**539,611**	-
At beginning of year - as restated	**(2,069,532)**	887,818
Credited/(charged) to profit or loss (Note 26):		
Utilised tax credits	**(3,385,046)**	(3,086,616)
Temporary differences on intra-group transactions	**9,266**	9,266
Temporary differences on property, plant and equipment and provisions for impairment of trade receivables	**(451,871)**	(400,912)
Charged to other comprehensive income (Note 15):		
Deferred tax on revaluation surplus on land and buildings arising during the year (Note 14)	**(14,997,674)**	-
Tax effect of re-measurement of derivatives	**-**	(18,699)
At end of year	**(20,894,857)**	(2,609,143)

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.

9. DEFERRED TAXATION continued

The balance at 31 March represents:

	GROUP	
	2019	2018
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**-**	316,313
Unabsorbed tax losses	**-**	791,852
Investment tax credits	**3,253,774**	5,530,655
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,528,474)**	(5,456,386)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(17,796,788)**	(2,799,114)
Taxable temporary differences arising from intra-group transactions	**(108,757)**	(118,023)
Deductible temporary differences arising from derivative instruments	**-**	-
Deductible temporary differences on provisions for impairment of trade receivables	**235,772**	75,944
Deferred taxation arising on transfer of property on acquisition of subsidiary	**(950,384)**	(950,384)
	(20,894,857)	(2,609,143)
Disclosed as follows:		
Deferred tax assets	**1,363,394**	4,024,124
Deferred tax liabilities	**(22,258,251)**	(6,633,267)
	(20,894,857)	(2,609,143)

10. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Other receivables	**75,000**	-	**-**	-
Current				
Trade receivables	**5,680,132**	6,655,755	**-**	-
Less: loss allowances	**(673,635)**	(216,981)	**-**	-
	5,006,497	6,438,774	**-**	-
Advance payments to suppliers	**7,568,831**	126,312	**-**	-
Finance lease receivable				
(net of unearned finance income)	**-**	97,383	**-**	-
Amounts owed by shareholder	**59,166**	-	**430,064**	508,257
Amounts owed by subsidiaries	**-**	-	**62,886**	7,974,329
Amounts owed by associates	**2,480,042**	1,679,381	**1,742,523**	446,098
Amounts owed by other related parties	**113,871**	95,985	**-**	-
Other receivables	**1,581,468**	754,860	**-**	-
Indirect taxation	**580,927**	346,954	**3,556**	2,023
Prepayments	**703,753**	511,003	**-**	-
	18,094,555	10,050,652	**2,239,029**	8,930,707

10. TRADE AND OTHER RECEIVABLES continued

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

Non-current other receivables represent deposits effected by a group undertaking to lessor under operating lease arrangements. This is refundable at the end of the lease terms in accordance with the respective lease arrangements.

As at 31 March 2018, the company's amounts owed by subsidiaries included an amount of €7,799,011 owed by DB San Gorg Property Limited. During the current year such amounts increased to €18,878,183 and on 31 March 2019 it was converted to capital contribution (refer to Note 7).

In prior years, 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 preceding reporting period are analysed as follows:

	GROUP
	2018
	€
Gross finance lease receivables:	
Not later than one year	97,383
Unearned future finance income	-
Net investment in finance leases	97,383

Amounts receivable from the lease debtor were subject to an effective interest rate of 1%.

11. INVENTORIES

	GROUP	
	2019	2018
	€	€
Food and beverage	**696,747**	579,264
Merchandise	**323,303**	472,325
Other goods for resale	**1,507**	20,821
Consumables and other inventory	**198,051**	134,694
	1,219,608	1,207,104

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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**11,004,457**	9,602,044	**4,450,162**	1,955,735
Bank overdrafts (Note 19)	**(595,177)**	(1,149,351)	**-**	-
	10,409,280	8,452,693	**4,450,162**	1,955,735

13. SHARE CAPITAL

	COMPANY	
	2019	2018
	€	€
Authorised		
5,000,000 Ordinary shares of €1 each	**5,000,000**	5,000,000
Issued and fully paid		
4,000,000 Ordinary shares of €1 each	**4,000,000**	4,000,000

14. REVALUATION RESERVE

	Notes	GROUP	
		2019	2018
		€	€
Year ended 31 March			
At beginning of year		**22,585,765**	22,585,765
Revaluation surplus on land and buildings arising during the year	4	**74,118,293**	-
Deferred tax on revaluation surplus on land and buildings arising during the year	9	**(14,997,674)**	-
		81,706,384	22,585,765

The revaluation reserve is non-distributable.

15. HEDGING RESERVE

In prior years, a group undertaking entered into interest rate swap derivative financial instruments to mitigate the variability of floating interest payments. Such instruments matured during the preceding financial year. The related fair values of cash flow hedges were recorded in a hedging reserve, in a separate category of equity, as shown below:

	GROUP
Interest rate swaps	2018
	€
At 1 April	
Gross amounts of losses	53,426
Deferred income tax	(18,699)
	34,727
Movements in year ended 31 March	
Net losses from changes in fair value	(10)
Deferred income tax	3
	(7)
Reclassified to profit or loss	(53,416)
Deferred income tax	18,696
	(34,720)
At 31 March	
Gross amounts of losses	-
Deferred income tax	-
	-

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

The net fair value losses as at the end of a reporting period 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	
	2019	2018
	€	€
Capital redemption reserve	**11,628,279**	11,628,279
Incentives and benefits reserve	**1,301,885**	1,301,885
	12,930,164	12,930,164

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

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	
	2019	2018
	€	€
At beginning of year	**-**	9,552,805
Redemption of non-cumulative preference shares of a subsidiary	**-**	(9,552,805)
attributable to non-controlling interest	**-**	-
At end of year	**-**	-

As at 1 April 2017, non-controlling interest represented only the carrying amount of non-cumulative redeemable preference shares of a subsidiary, which have been fully redeemed during 2018.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	€	€	€	€
Non-current				
Due to Government in relation to purchase of land	48,947,198	48,649,057	-	-
Deferred income arising on long term rights of use sales	10,985,349	9,949,156	-	-
	59,932,547	58,598,213	-	-
Current				
Trade payables	5,277,534	4,917,478	-	4,317
Due to Government in relation to purchase of land	1,429,571	1,429,571	-	-
Payables and accruals with respect to capital expenditure	1,220,322	2,052,653	-	-
Contract liabilities - Advance deposits from tour operators and other third parties	8,018,583	8,939,694	-	-
Amounts owed to shareholder	-	241,461	-	-
Amounts owed to subsidiaries	-	-	36,262,695	21,888,752
Amounts owed to associates	3,883,507	3,535,333	-	-
Amounts owed to other related parties	1,305,222	-	891,518	565,632
Other payables	936,667	918,220	49	100
Indirect taxation and social security	653,649	488,168	-	-
Accrued interest payable to bond holders	2,641,582	2,641,582	-	-
Other accruals	1,716,627	1,762,243	6,550	1,300
	27,083,264	26,926,403	37,160,812	22,460,101

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

The maturity of this liability is as follows:

	GROUP	
	2019	2018
	€	€
Due within 1 year	1,429,571	1,429,571
Due between 1 and 2 years	1,429,571	1,429,571
Due between 2 and 5 years	8,973,241	7,411,732
Due after more than 5 years	165,675,366	168,666,445
	177,507,749	178,937,319
Less: imputed interest component	(127,130,979)	(128,858,692)
	50,376,770	50,078,627

18. TRADE AND OTHER PAYABLES continued

The group's other payables as at 31 March 2018 included advances from suppliers amounting to €310,048, which were to be set-off against discounts allowed by the same suppliers on the basis of predetermined purchase levels.

The company's amounts owed to subsidiaries represent financing obtained by the parent company from other group undertakings to finance various group projects including the acquisition of Hotel San Antonio Limited in prior years and subsequent developments at the same hotel. Such advances are unsecured and repayable on demand. However, the respective subsidiaries have undertaken not to request repayment of amounts due until alternative financing is available. Included in such advances are offsettable amounts of €1,488,101 (2018: €1,488,101) owed by a subsidiary to the parent company which are subject to interest at 4.8% (2018: 4.7%). All the other amounts are interest free.

19. BORROWINGS

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Bank loans	**8,303,770**	8,303,770	**-**	-
Loan from subsidiary	**-**	-	**1,488,101**	1,488,101
650,000 4.35% Bonds 2017 - 2027	**64,231,846**	64,152,312	**-**	-
	72,535,616	72,456,082	**1,488,101**	1,488,101
Current				
Bank overdrafts	**595,177**	1,149,351	**-**	-
Bank loans	**167,920**	143,932	**-**	-
	763,097	1,293,283	**-**	-
Total borrowings	**73,298,713**	73,749,365	**1,488,101**	1,488,101

Bonds

By virtue of an offering memorandum dated 27 March 2017, SD Finance plc (the Issuer) issued €65,000,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.35% which is payable annually in arrears, on 25 April of each year. The bonds are redeemable at par and are due for redemption on 25 April 2027. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price as at 31 March 2019 and 2018 for the bonds was €103, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the current and the preceding reporting periods, bonds with a face value of €500,000 were held by a company director.

19. BORROWINGS continued

Bonds continued

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

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

	2019	2018
	€	€
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	155,882	79,348
Closing net book amount of bond issue costs	(768,154)	(847,688)
Amortised cost and closing carrying amount of the bonds	64,231,846	64,152,312

Bank borrowings

The group's and the company's banking facilities as at 31 March 2019 amounted to €86,093,431 (2018: €86,093,431) and €500,000 (2018: €500,000) respectively. The group's bank facilities are mainly secured by:

(a) special hypothecs over the group's property up to an amount of €85,100,000;
(b) general hypothecs over the group's present and future assets up to an amount of €85,950,000;
(c) guarantees given by the shareholder;
(d) pledges over specific insurance policies of group undertakings;
(e) pledges over the shareholder's life insurance policies;
(f) letters of undertaking.

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

19. BORROWINGS continued

Bank borrowings continued

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Bank overdrafts	**5.3%**	4.2%	**-**	-
Bank loans	**4.0%**	3.5%	**-**	-

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Between 1 and 2 years	**553,584**	-	**-**	-
Between 2 and 5 years	**1,660,754**	1,660,754	**-**	-
Over 5 years	**6,089,432**	6,643,016	**-**	-
	8,303,770	8,303,770	**-**	-

Loan from subsidiary

The company's non-current loans from subsidiary amounting to €1,488,101 consist of advances from SD Finance plc, out of the proceeds of the bonds issued by the same company. The proceeds of the bond issue have been advanced to SD Holdings Limited and other companies forming part of the db Group. SD Holdings Limited utilised these advances primarily for re-financing its existing banking facilities. These loans are subject to interest at a fixed interest rate of 4.55%, with an additional renewal fee, which shall be charged on the loans at a floating rate at the discretion of the directors of the Issuer. As at the end of the current reporting period, the element of the floating rate interest was 0.25% (2018: 0.19%). The loans are unsecured and repayable by not later than 10 April 2027.

20. DEFERRED GOVERNMENT GRANTS

	GROUP	
	2019	2018
	€	€
At beginning of the year	**23,283**	32,104
Credited to profit or loss:		
- Annual amortisation related to assets (Note 22)	**(8,821)**	(8,821)
At end of year	**14,462**	23,283
At 31 March		
Non-current	**9,641**	14,462
Current	**4,821**	8,821
At end of year	**14,462**	23,283

21. REVENUE

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
By category				
Hospitality and ancillary services	**39,483,497**	36,052,424	**-**	-
Food and beverage	**12,672,863**	9,313,767	**-**	-
Merchandise and other retailing activities	**2,301,641**	4,158,341	**-**	-
Other revenue	**1,663,128**	734,151	**-**	-
	56,121,129	50,258,683	**-**	-

22. EXPENSES BY NATURE

	GROUP		COMPANY	
	2019	2018	2019	2018
	€	€	€	€
Employee benefit expense (Note 23)	11,443,248	10,296,465	-	-
Amortisation of intangible assets (Note 6)	241,820	241,766	-	-
Depreciation of property, plant and equipment (Note 4)	7,166,672	6,497,489	-	-
Movement in credit loss allowances	(1,085,091)	216,981	-	-
Utilities and similar charges	1,635,190	1,774,980	-	-
Operating supplies and related expenses	10,006,205	9,761,786	-	-
Repairs and maintenance costs	3,409,206	2,584,065	-	-
Marketing, advertising costs and commissions	1,369,276	1,045,394	-	-
Franchise royalties	479,813	442,262	-	-
Operating lease rentals - property	587,426	556,334	-	-
Ground rents payable	6,198	6,198	-	-
Other expenses	3,786,184	3,194,757	17,750	16,677
Total cost of sales, selling and administrative expenses (including movement in credit loss allowances)	39,046,147	36,618,477	17,750	16,677

Auditor's fees

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	€	€	€	€
Annual statutory audit				
- parent company auditors	55,500	55,500	1,050	1,050
- other auditors	20,000	18,250	-	-
Tax advisory and compliance services				
- parent company auditors	6,650	4,275	365	365
Other non-audit services				
- parent company auditors	21,800	5,500	5,500	5,500
- other auditors	1,525	1,351	-	-
	105,475	84,876	6,915	6,915

23. EMPLOYEE BENEFIT EXPENSE

	GROUP 2019	GROUP 2018
	€	€
Wages and salaries (including directors' remuneration)	**10,557,781**	9,396,925
Social security costs	**841,542**	813,908
	11,399,323	10,210,833
Recharged from associates	**43,925**	85,632
	11,443,248	10,296,465

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

	GROUP 2019	GROUP 2018
	€	€
Direct	**570**	514
Administration	**70**	86
	640	600

24. OTHER OPERATING INCOME

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
	€	€	€	€
Amortisation of deferred Government grants (Note 20)	**8,821**	8,821	**-**	-
Operating lease income	**291,807**	247,983	**-**	-
Other income	**60,361**	59,796	**14,457**	-
	360,989	316,600	**14,457**	-

25. FINANCE INCOME AND FINANCE COSTS

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**68,344**	73,173
Finance income arising from finance lease arrangement	**-**	3,320	**-**	-
Finance income arising from short-term deposits	**14,524**	2,820	**-**	1,955
	14,524	6,140	**68,344**	75,128

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,907,034**	2,717,930	**-**	-
Interest on bank borrowings and other loans	**3,507**	631,608	**635**	7,273
Interest on loan from subsidiary	**-**	-	**67,709**	66,140
Other finance charges	**33,403**	144,560	**-**	-
	2,943,944	3,494,098	**68,344**	73,413

26. TAX EXPENSE

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current taxation	**1,575,240**	311,625	**-**	201
Deferred taxation (Note 9)	**3,827,651**	3,478,262	**-**	-
Tax expense	**5,402,891**	3,789,887	**-**	201

26. TAX EXPENSE continued

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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit/(loss) before tax	**16,095,517**	11,380,863	**(3,293)**	(14,962)
Tax on profit/(loss) at 35%	**5,633,431**	3,983,302	**(1,152)**	(5,237)
Tax effect of:				
Share of results of associates	**(556,138)**	(319,205)	**-**	-
Expenses not deductible for tax purposes	**167,756**	160,556	**1,152**	5,438
Income not subject to tax or charged at reduced rates	**(2,544)**	(4,492)	**-**	-
Unrecognised temporary differences and unutilised tax credits	**115,472**	(4,463)	**-**	-
Other differences	**44,914**	(25,811)	**-**	-
Tax charge in the accounts	**5,402,891**	3,789,887	**-**	201

27. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Salaries and other emoluments	**282,155**	210,710	**-**	-

28. CASH GENERATED FROM OPERATIONS

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit/(loss)	**17,435,971**	13,956,806	**(3,293)**	(14,722)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**7,166,672**	6,497,489	**-**	-
Amortisation of intangible assets (Note 6)	**241,817**	241,766	**-**	-
Amortisation of Deferred Government grants (Note 20)	**(8,821)**	(8,821)	**-**	-
Gain on disposal of property, plant and equipment	**500**	(26,148)	**-**	-
Movement in credit loss allowance	**(1,085,091)**	216,981	**-**	-
Changes in working capital:				
Inventories	**(12,504)**	(41,713)	**-**	-
Trade and other receivables	**(1,252,867)**	(1,667,870)	**(12,186,505)**	(7,371,888)
Trade and other payables	**2,323,526**	286,596	**14,700,711**	7,853,449
Cash generated from operations	**24,809,203**	19,455,086	**2,510,913**	466,839

Net debt reconciliation

Other than as disclosed in Note 19 'Borrowings', with respect to the amortisation of bond issue costs, all the movements in the group's and the company's net debt mainly relate only to cash flow movements and disclosed as part of the financing activities in the statement of cash flow on page 117.

29. COMMITMENTS

Capital commitments

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

	GROUP	
	2019	2018
	€	€
Authorised but not contracted for	**2,378,000**	5,000,000
Contracted but not provided	**1,087,000**	-
	3,465,000	5,000,000

Operating lease commitments – where group undertakings act as lessee

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

	GROUP	
	2019	2018
	€	€
Less than one year	**512,442**	106,737
Between one and five years	**1,863,525**	308,856
More than five years	**2,472,607**	2,408,353
	4,848,574	2,823,946

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

Operating lease commitments – where a group undertaking is a lessor

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

	GROUP	
	2019	2018
	€	€
Less than one year	**247,807**	247,983

Operating lease receivables relate to property concessions.

30. CONTINGENCIES

At 31 March 2019, 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 (2018: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2018: €1,920) relating to shares subscribed in subsidiaries by the parent company.

(c) Guarantees of up to a maximum of €60,106 (2018: €60,106) issued by a group undertaking to various third parties for a beach concession.

(d) Guarantees of €118,650 (2018: €118,650) issued by the group's bankers, on behalf of group undertakings in favour of the Planning Authority, in the ordinary course of business.

(e) Guarantees given by the parent company in respect of bank facilities of group undertakings for an amount of €68,100,000 (2018: 68,100,000), together with other guarantees for an amount of €17,000,000 (2018: €17,000,000) given by the company jointly with other group undertakings in respect of bank facilities of a subsidiary.

(f) Guarantees given by a group undertaking in respect of bank facilities of an associate for an amount of €3,650,000 (2018: €3,650,000).

(g) Guarantees and performance bond amounting to €250,000 (2018: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

31. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

Key management personnel comprise the directors of the parent company and the directors of the other group undertakings. Key management personnel compensation, consisting of the parent directors' remuneration has been disclosed in Note 27.

32. STATUTORY INFORMATION

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

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