STRENGTH
RESILIENCE
CONSISTENCY

ANNUAL REPORT **2020**

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

STRENGTH, RESILIENCE, CONSISTENCY

This financial year, ending 31 March 2020 has truly been unique, particularly with respect to our core business – tourism, leisure and hospitality. The first nine months of 2019, up until December 2019, were driven by an economy in full tilt, with tourism leading the record-breaking pack. By contrast, in the last quarter of this financial year, we were all forced into a new reality which we had never even imagined, let alone predicted. When COVID-19 hit, nothing remained the same.

From a public health angle, the country rose to the occasion brilliantly, putting us amongst the top performers in the world. With fingers crossed, we hope that a second wave is not on the cards.

From an economic perspective, the financial severity still needs to be quantified. The financial aid packages offered by government to business have kept the ship afloat. Its seaworthiness, however, is still to be tested when the inevitable economic waves continue over the coming months, perhaps years.

As a Group, we faced this unprecedented challenge in the way we always do. **With strength, resilience and consistency.**

STRENGTH

The COVID-19 pandemic might have changed everything but it certainly did not touch our cardinal principle - that our strength comes from our people. We held to it when the going was good, continued to do so when it got tough and always will in the future.

We knew that only with our people in place could we be ready and able to pick up from where we left off when normality returns. Financially painful as it is, we bit the bullet and fired no one. I am certain that this investment in our people will deliver the healthiest dividend of this financial year. It will also be the key to the Group's future.

Our strength comes from our people.

db Group
COMPANY PROFILE

RESILIENCE

"It's fine to celebrate success. But it is more important to heed the lessons of failure." So said Bill Gates, who should know. We at the db Group do not always get it right. Indeed, we are proud that we don't. It proves that our vision, direction and decisions are not chained to our comfort zone. Fear of failure does not restrain our strong instinct to try out the new.

CONSISTENCY

As a Group we always had a deep-seated belief in this country. No matter what happens it always bounces back. Malta is resilient. This is why we continued to invest heavily in Malta even throughout the 2008 financial crisis and we are investing even more now in the thick of the COVID-19 pandemic.

The value of consistency also inspires and drives us in the way we go about things internally. We keep our clients at the centre of everything by consistently putting in place and nurturing vibrant management structures and processes.

Finally, I wish to convey my heartfelt thanks to everyone in the Group. It has been a tiring year for all of you for two perfectly opposing reasons. In 2019, as tourism hit record numbers, you had to work harder than ever to deliver the level of excellence that we are known for. You rose to the occasion, gave more than expected and once again made our Group a market leader.

The COVID-19 pandemic has impacted and will continue to impact our operations and results, but we are honoured and humbled by how are people have been willing and flexible to do their part for the Group and the wider community. Our people have rolled up their sleeves and rose to this occasion. We could not have done it without them. And for this I am deeply grateful.

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

db Group
COMPANY PROFILE

CHALLENGING TIMES AHEAD

“When it is obvious that goals cannot be reached, don’t adjust the goals, adjust the action steps”, so said the great Chinese philosopher Confucius. Considering the havoc that the COVID-19 pandemic is leaving behind; his words make the truth they contain more poignant than ever.

During the last month of our financial year end, March 2020, our Group had choices to make and we took tough decisions to make them. Our results for the financial year ending March 2020, remained upbeat despite the obvious challenges that the entire hospitality and leisure industry had to face worldwide. Nevertheless, we continued to steer a realistic course. We know that the full force of the pandemic’s knock on effect will increasingly be felt in the next 12 months of operation.

From an investment standpoint, the Group continued with its expansion plans by tapping into market gaps that offered an opportunity for further diversification of our portfolio. As already indicated in the 2019 Annual Report, the Group delivered and indeed surpassed its investment promises. In this respect, over the past year we rooted our investment strategies on two of our sectors; our catering and our elderly care operations. During the past 12 months we have *inter alia*, achieved the following:

- investment and opening of a new upmarket restaurant and catering concept, AKI, situated in Malta’s capital city Valletta;
- the continued roll out of Starbucks outlets in Malta, the Group has successfully launched another world-renowned international brand on the island, with the 3rd outlet opening in January 2020 and 4th outlet opening in May 2020;
- a complete redecoration of the Hard Rock Café outlet at the Valletta Waterfront; and
- an extension to the Saint Vincent de Paul long-term care facility and residence, through the development of a further 504-bed capacity, which will provide the best industry standards to the residents.

Last year the Group successfully launched the first two Starbucks stores in Malta, at the Valletta Waterfront and in Mellieha Bay. This year the Group rolled out the third outlet at il-Pjazzetta in Sliema with the fourth outlet opening its doors in Bugibba, Qawra, in June 2020. We were humbled with the news that the influential Marie Claire magazine ranked the Valletta Waterfront Starbucks outlet amongst the top 10 most photogenic Starbucks stores worldwide.

The Starbucks outlets performed exceptionally well until the pandemic hit, severely impacting our footfall and operations. However, we strongly believe that business will rebound, and we continued with our roll out plan and investment for outlets across Malta, opening our fourth Starbucks outlet, in Bugibba Qawra.

Following the successful launch of the Amami restaurant in Ghadira, Mellieha Bay, a second Japanese sushi-based fusion restaurant was introduced to the market in February, a couple of weeks prior to the outbreak of the COVID-19 pandemic in Malta. AKI, operates from the recently refurbished and developed Embassy complex in the heart of the Maltese capital city Valletta. The concept and culinary levels experienced at AKI have been exceptionally well received by restaurant reviewers and our customers.

The more ambitious investment undertaken by the Group during the year saw our continued diversification in operations and portfolio, investing significantly in the local long-term healthcare sector. We developed an extension at the Saint Vincent de Paul long-term care facility and residence, which will provide a 504-bed capacity, and will offer the very best care to the residents. The ever-increasing healthcare requirements of the local ageing Maltese population made our investment in this sector a logical course to pursue, yielding very encouraging results and returns.

In total, the Group invested over €43 million during the financial year under review, a further testament to the Group's ability to generate new business opportunities and delivering within short and challenging timelines and, more importantly, within budget.

The Group remains on course with its revised plans and planning application for the db City Centre project in St George's Bay, St. Julian's. Plans have been re-visited and are currently in the process of review by the National Planning Authority.

In Excellence we will thrive.

db Group
COMPANY PROFILE

The Group's publicly listed 10-year bond on the Malta Stock Exchange continues to trade above par, despite the significant market turmoil, trading within a healthy 101 to 102 range.

The Group's revenue streams are now becoming increasingly diversified, while future returns continue to be dependent heavily on the outlook and performance of the hospitality and leisure sector. Up until February 2020, the results achieved by the local tourism and hospitality sector, continued to be record-breaking, with 12 months from January until December 2019, registering an impressive 5.9% year on year growth, with total annual visitors amounting to 2.8 million visitors. Coupling this with our continued quest for excellence in our service delivery, has maintained our strong position and delivered very encouraging results whilst we continued to be awarded with various prestigious international awards throughout the year, thanks to our committed teams.

- **Group Revenues** – Growth in line with tourism trends, factoring in at 5.7% growth rate resulting in revenues of €59.3 million
- **EBITDA** – a linear growth rate to revenues of 4.5% factoring in at €27.6 million
- **Operating Cash Flows** – substantial improvement of 23.4% in cash generation, now factoring in at €26.7 million

Balance sheet totals have now exceeded €325 million, an increase of €9 million over the previous year. This was achieved despite a downward valuation on the Group's real estate component (- €7.2 million net of deferred tax on revaluation) which was compensated by an increase in revenue reserves now standing at €46 million (+ €12 million) and an improved working capital total by €11 million. Total equity or shareholder's funds now stand at €138 million.

Predictably, the outlook following the outbreak of COVID-19 pandemic is a very cautious one and unlike my upbeat comments in previous Annual Reports, they will not be repeated for the coming 12 months. However, as noted in my opening statement, our goal will remain the same, to excel and raise the bar albeit the very difficult and adverse conditions. Let's be clear – in the coming 12 months we will not be achieving the healthy results of the past 12 months.

Nevertheless, we shall be maintaining our core fundamental strength, which is our people, and we will continue to strive towards excellence to ensure we are the first off the starting line when the effects of the pandemic taper off. The Group is resilient, evidenced through the strong liquidity position as presented in the Financial Statements. Furthermore, we have implemented cost-containment measures to further protect our liquidity position. These factors will no doubt see us through these challenging times and make us stronger.

Indeed, trying times like these present other opportunities which may have slipped under the radar. On the strength of these very positive results and the Group's solid foundations, we look forward to better times to come and to continue to deliver to our stakeholders and to all our people that form part of this fantastic Group. In Excellence we will thrive.

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 DIRECTORS

SILVIO DEBONO
CHAIRMAN

VICTORIA DEBONO
DIRECTOR

ROBERT DEBONO
DIRECTOR

JESMOND VELLA
DIRECTOR

ARTHUR GAUCI
CEO

VINCENT DEGIORGIO
DIRECTOR

ALAN DEBONO
DIRECTOR

DAVID DEBONO
DIRECTOR

db Group
COMPANY PROFILE

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 operation in Malta.

Over the last four decades the Group has forged strategic relationships with a range of global players including Hard Rock Café International, Starbucks, the Accor Hotel Group, and RIU Hotels & Resorts. As a result, we accumulated invaluable business acumen and operational experience.

This track record has enabled us to establish our very own unique brand, db Hotels + Resorts, driven by the fundamental principle of excellence in everything we do. Year-on-year, the Group won a number of prestigious global awards, positioning it at the forefront of the Maltese hospitality and catering industry.

In due course, and prudently, the Group diversified its core operations, taking in contract catering, healthcare, and property development under its wing.

KEY MILESTONES ACHIEVED DURING THE YEAR

This Financial year, spanning from 1 April 2019 until 31 March 2020, was marked by two extraordinary events - the bankruptcy of Thomas Cook, and the COVID-19 pandemic which hit Malta at the beginning of March.

Despite these setbacks, the Group registered a circa. 6% growth in turnover, reaching the €59 million mark. More encouragingly, EBITDA increased at circa. 4% factoring in at €27.6 million, while the liquidity position of the Company remained robust.

Development of the db City Centre at the Golden Mile, St Julian's

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

The db City Centre will feature the Mediterranean's third Hard Rock Hotel, a residential tower, a shopping mall, a perched rooftop bar, the largest spa in Malta, as well as a number of world-famous bars, restaurants and retail brand outlets.

Around €250 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 City Centre project will be instrumental to boost the local economy throughout the post COVID-19 recovery.

In view of a series of institutional and timeline setbacks the Group took the opportunity to rehash the original plans. The historic ITS building on site will remain in place, rehabilitated and refurbished and no excavation will be carried out underneath it. Additionally, reservoirs and the shelter found on site will remain untouched.

Furthermore, the db Group engaged in dialogue residents in the vicinity, local councils, stakeholders and public authorities and communicate the planned mitigation measures.

The project's gross developable floor area (GDF) has been reduced by 50,000 sqm, the tower height reduced by 7 storeys, and the office space removed. The height of the project is now comparable, if not less, to similar ones in the vicinity and other parts of Malta. With these changes, the project's public and green areas were increased by around 40%, bringing the total to approximately 7,000 square meters.

Completion of building as part of the concession agreement for the provision of services at Saint Vincent de Paul Residence through a Public Private Partnership (PPP)

Through a public private partnership in 2017, Malta Healthcare Caterers Ltd and James Caterers Ltd consortium was awarded a concession to provide services at Saint Vincent de Paul Residence (SVPR), a senior living care residence.

This venture led to the construction of four new blocks to accommodate around another 500 high dependency elderly persons residents in approximately 190 new rooms. Capital expenditure incurred amounted to €22 million for the four new blocks, built on 33,500 sqm. The new blocks will include open spaces for socialising and activities as well as physiotherapy rooms, a chapel, a therapeutic pool, gymnasium and other facilities.

Due to the expansion, more professionals and workers have been hired to further help to relocate the elderly who require more intensive care.

Furthermore, Malta Healthcare is to provide SVPR management services including nursing, caring, housekeeping and catering for the additional beds under a long-term contract. It is also tasked to set up and operate a fully equipped on-site kitchen to provide catering services for the existing 1,100 residents.

Opening of two new Starbucks outlets

The db Group holds the exclusive license to operate and develop the Starbucks brand in the Malta.

In 2019 the Group opened the first two Starbucks outlets, marking a special milestone for Starbucks international - Malta became its 80th global market. The first two Starbucks outlets in Malta were opened at the Valletta Waterfront and Għadira, Mellieħa. The flagship Valletta outlet is designed to marry Maltese and Mediterranean aesthetics with a touch of Starbucks' roots in Seattle's historic Pick Place Market. The Valletta outlet has been featured in international press as one of four Instagram worthy outlets to visit.

During 2020, the Group opened their third and fourth outlets in Sliema and Buġibba. The Sliema one is located in the Piazzetta Business Plaza, one of the most prominent streets in Malta while the Buġibba outlet is located on the Islet Promenade. The fourth outlet opened its doors in June 2020.

Opening of new Japanese restaurant in Valletta, AKI

With an investment of around €1.2 million the db Group opened AKI, a state of the art restaurant and lounge bar in Valletta, offering a unique gastronomical experience.

It puts a unique spin on familiar Japanese flavours, featuring signature-inspired flavourful dishes to suit contemporary palates. Guests at the lounge area can enjoy a signature cocktails from AKI's extensive menu in a sophisticated metropolitan décor.

Refurbishment of the Hard Rock Café at Vault 17, Valletta Waterfront

At the beginning of 2020 the Hard Rock Café outlet at the Valletta Waterfront which has been open since March 2006, was refurbished with an investment of around €500,000.

This iconic outlet is popular with locals, cruise passengers and tourists. The Grand Harbour's Cruise Terminal, which is a stone's throw away, was built in the 17th and 18th centuries. The Valletta Waterfront was destroyed during World War II, reconstructed in 2003 and is now one of the city's key cultural hubs.

Nine Lives Beach Club, St Paul's Bay

Last year the Group inaugurated the Nine Lives beach club with an investment of €2.5 million. Meticulously curated on a perched beach in St Paul's Bay and including a restaurant as well as a lido, clients have the option to lounge and pamper themselves throughout the day.

The Nine Lives concept offers breakfast, lunch and dinner right at the water's edge. In the evening, music, weekly activities and events become an integral part of the experience.

Going by its first year, Nine Lives has been well-received and is popular with both locals and visitors. Its excellent operational and financial results reaffirm the Group's ability to successfully create novel leisure experiences.

HOSPITALITY

db Seabank Resort + Spa

db San Antonio Hotel + Spa

Porto Azzurro Hotel

db City Centre at St George's Bay

CONTRACT CATERING

Sky Gourmet Malta

Malta Healthcare Caterers

LEISURE

Hard Rock Café Malta

Starbucks

Adeera Complex:
Amami, Blu Beach, & Westreme

Nine Lives Beach Club

AKI

Eventful

PROPERTY DEVELOPMENT

db San Gorg Property

HEALTHCARE

Healthmark Care Services

Health Services Group

Support Services

db Group
COMPANY PROFILE

db Seabank Resort • Spa | db San Antonio Hotel • Spa | Porto Azzurro

Hard Rock Cafe Malta | nine lives | eventful

AKI | AMAMI Tastes of Asia | Blu Beach Club | Westreme Kitchen + Bar

db San Gorg Property Limited | Sky Gourmet Malta Ltd | Malta Healthcare Caterers Limited | Healthmark

PROPERTY DEVELOPMENT | KIKA CONSTRUCTION COMPANY LIMITED | SIAR PROPERTY INVESTMENTS LIMITED | GHADIRA PROPERTY INVESTMENTS LIMITED

FINANCIAL HIGHLIGHTS

Largest hotel operator with
3,500 BEDS

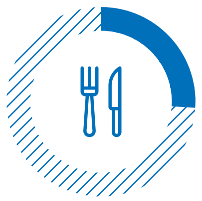
Staff complement of
3,300 EMPLOYEES

This figure a full headcount of Group employees, including individuals in subsidiary and associated companies.

Group revenue

inclusive of that generated by individual associates, for the year ended 31 March 2020

HOSPITALITY & LEISURE
38%



CONTRACT CATERING
26%

HEALTHCARE
36%

REVENUE
(€000s)

MAR 2018	50,259
MAR 2019	56,133
MAR 2020	59,324

5.7%
CHANGE FY2019/FY2020

EBITDA
(€000s)

MAR 2018	21,608
MAR 2019	26,448
MAR 2020	27,565

4.2%
CHANGE FY2019/FY2020

EBITDA MARGIN
(€000s)

MAR 2018	43.0%
MAR 2019	47.1%
MAR 2020	46.5%

-0.6%
CHANGE FY2019/FY2020

PROFIT AFTER TAX
(€000s)

MAR 2018	7,591
MAR 2019	10,693
MAR 2020	12,180

13.9%
CHANGE FY2019/FY2020

CAPITAL EXPENDITURE
(€000s)

MAR 2018	5,654
MAR 2019	5,412
MAR 2020	7,829

44.7%
CHANGE FY2019/FY2020

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.

db Group
COMPANY PROFILE

VALLETTA
Capital City

316KM²
Area

200KM
Shoreline

514,564 PERSONS
Population
as at December 2018

1,628 PERSONS PER KM²
Population Density
Malta is the most densely populated EU nation and ninth worldwide

300
Days of sunshine

12°C Winter
31°C Summer
Average temperature

600MM
Annual rainfall

EURO
Official currency

+356
International dialling code

MALTESE & ENGLISH
Official languages

HIGH INTERNATIONAL CONNECTIVITY

GMT +1
Time zone

Source: Country Profiler, Country Report Malta 2017-2018

MALTA'S BENCHMARK RATING

based on 141 countries included in the World Economic Forum's Global Competitiveness Indicators

38th
Overall global competitiveness ranking
defined as the set of institutions, policies and factors that determine the level of productivity

1st
Macroeconomic stability
based on account inflation and national debt dynamics

32nd
Financial system
based on pillars including domestic credit to the private sector, financing of SMEs, market capitalisation, insurance premiums, soundness of banks, non-performing loans, the credit gap and banks' regulatory capital ratio

25th
ICT adoption
which considers aspects such as mobile-cellular telephone and broadband subscriptions, fixed-broadband and fibre internet subscriptions, and internet users

26th
Health
based on healthy life expectancy

33rd
Skills
which considers aspects such as mean years of schooling, extent of staff training, skillset of graduates, digital skills among active population and school life expectancy

31st
Labour market
which assesses redundancy costs, hiring and firing practices, workers' rights, active labour market policies, internal labour mobility, pay and productivity

37th
Innovation capability
based on diversity of workforce, multi stakeholder collaboration, scientific publications, patent applications, buyer sophistication and trademark applications

Source: World Economic Forum, Global Competitiveness Report 2019

MALTA IS A FORWARD-LOOKING RESILIENT ECONOMY

- Malta is a long-standing reputable and regulated financial services hub.
- Malta was the first EU Member State to regulate online gaming in 2004, gaining a significant competitive edge over its EU counterparts. Malta is also exploring an e-sports strategy which is presently a promising industry, projected to globally grow beyond the €1 billion mark and is amongst the fastest growing in the world.
- The Government of Malta has taken a clear stance on technological innovation: that Malta should become a disrupter, rather than a follower. In line with this commitment, Malta firmly established itself as a leader in new, up-and-coming areas such as distributed ledger technology (DLT) and it has gained global recognition as the "Blockchain Island". The country has now set out to establish itself in the field of Artificial Intelligence. This has been outlined in the "Strategy and Vision for Artificial Intelligence in Malta 2030" in which plans to revolutionize many industries from tourism to gaming to financial services.
- The Malta Financial Services Authority continues to focus on supporting a robust FinTech sector.
- Malta is deemed to be an attractive co-location jurisdiction for financial and gaming companies based in the UK. Several 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, 2020

A2 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

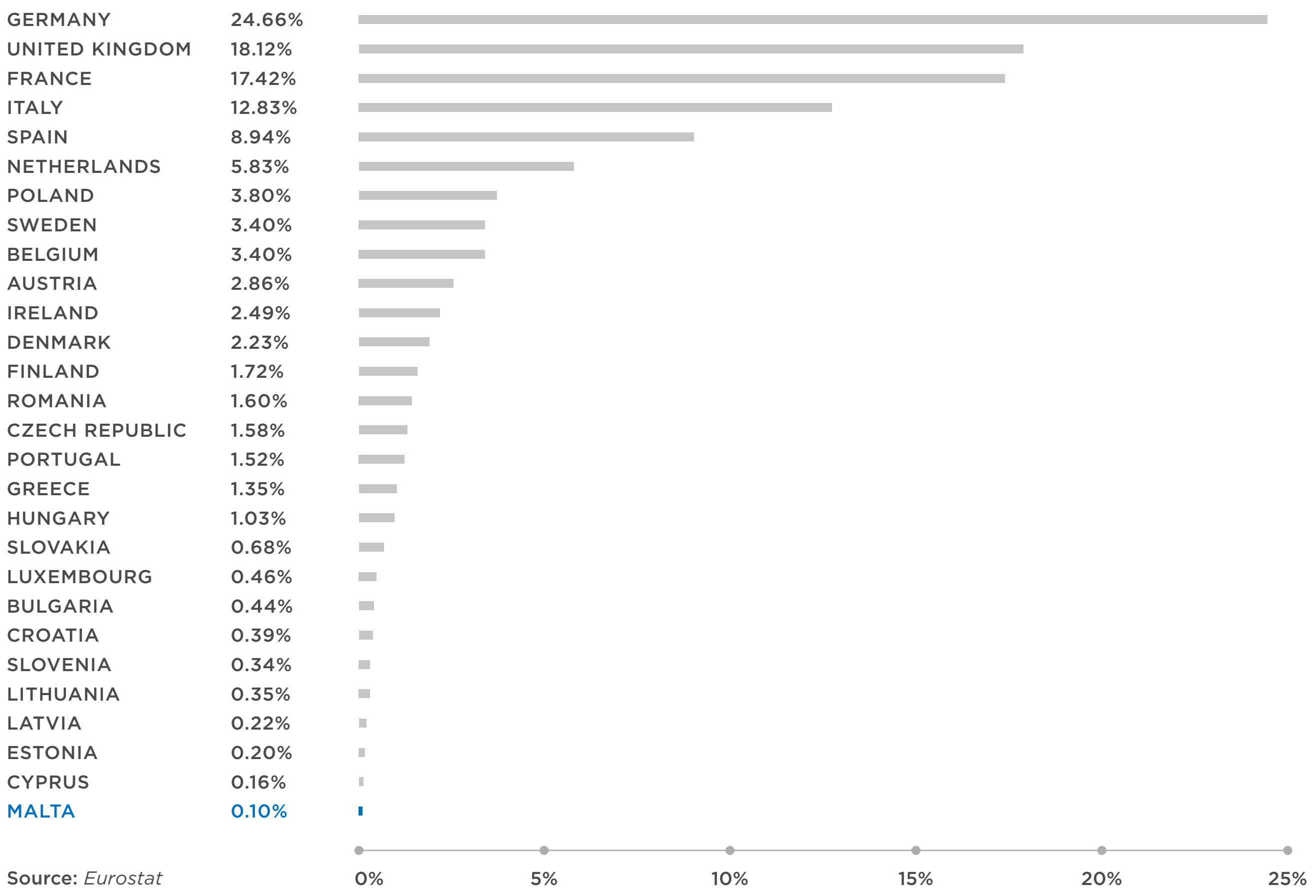
72

Source: Trading Economics

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 €13.2 billion in 2019. Between 2006-19, Malta's GDP increased from €6 billion to €13.2 billion, making it the third fastest growing economy in Europe following Ireland & Hungary.

Real GDP as a percentage of EU-27 GDP

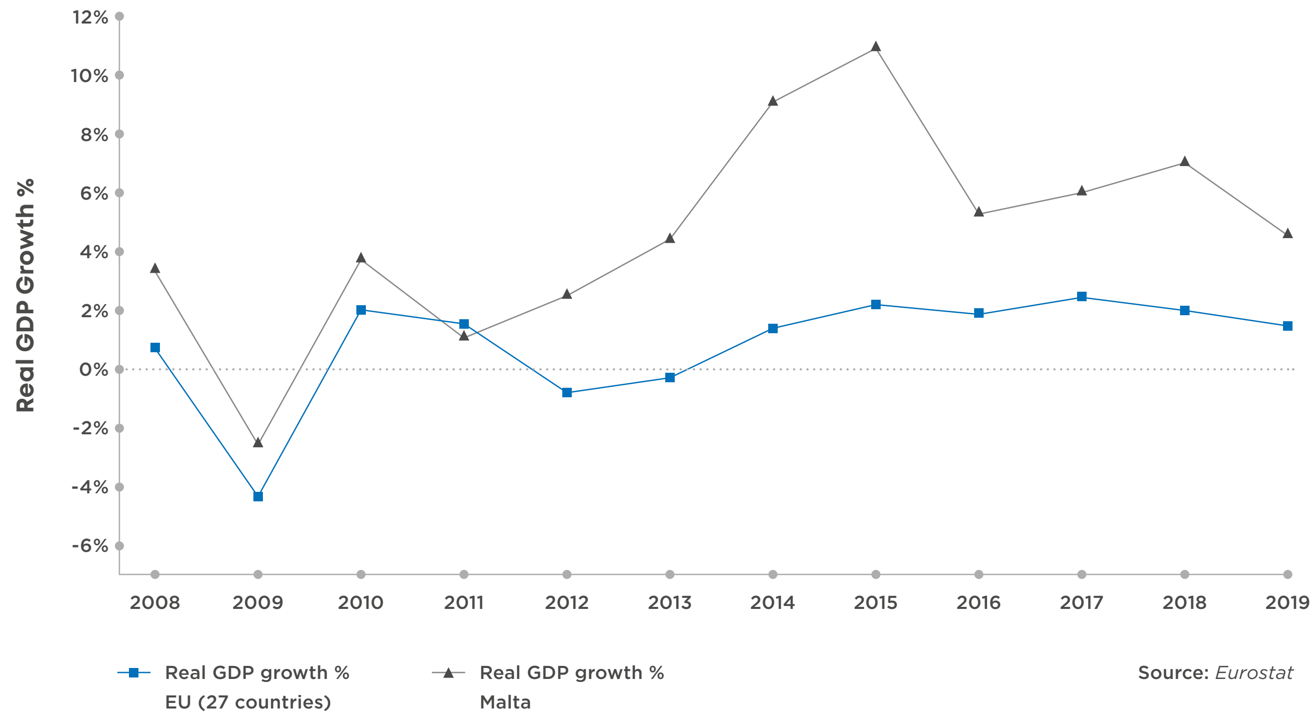


Source: *Eurostat*

Malta's economy has consistently registered one of the highest GDP growth rates compared to neighbouring EU-27 economies

In terms of real GDP growth, the Maltese economy has consistently outperformed the EU average since 2011. This growth has been driven by significant structural changes in the islands' economy. The main service sectors contributing to growth over the past decade have been the value-added knowledge services, particularly financial services, ICT, gaming and other professional activities.

Real GDP growth %. 2008-19



Source: *Eurostat*

Malta's economic prosperity attracts expatriates, fuelling the local economy

Malta's strong economic growth has led to higher labour demand, resulting in record low levels of unemployment. Labour demand well superseded local supply, triggering a strong influx of foreigners relocating to Malta, as well as a significant growth in population – 515,000 residents in 2019. The size of the expat community increased exponentially from around 19,000 in 2009 to circa 100,000 in 2018. In 2019, 55,000 foreigners were in active employment[1].

The COVID-19 pandemic in Malta

The COVID-19 pandemic presented the world with unprecedented challenges. Since the first outbreak in Wuhan, China, the virus caused havoc everywhere and Malta was no exception. Nevertheless, the strength and quality of the Maltese healthcare system along with the community's resilience and vigilance won out, at least so far. A Euro Fund report, issued in April 2020 confirmed this, with Maltese citizens expressing the highest confidence and trust levels in the national health care system when compared to other EU counterparts.

[1] Jobsplus data as at December 2018

As at 7th July, Worldometer[2] reported that Malta had the fewest active COVID-19 cases in the EU, with 12 cases per 500,000 population, and among the top in the world in terms of tests carried out. The World Health Organisation's regional director Hans Kluge praised the Maltese Health Ministry's handling of the COVID-19 situation through the range of preventative measures. These included but are not limited to: mandatory quarantine for arrivals, banning commercial flights, closing schools and non-essential stores and by encouraging those classified as medically vulnerable to stay indoors and legally exempting from reporting to work. Given Malta's timely measures, the local community was only subject to a semi-lockdown which allowed economic activity to continue, albeit at significantly lower levels.

To update to; Mass and contact tracing rates ranked amongst the highest worldwide, reaching the 100,000-test milestone in July 2020. A total of 680 persons have been infected 665 recoveries and 9 deaths.

Government economic support measures

In response to the economic consequences of the COVID-19 pandemic the Government of Malta implemented a staggered series of measures to support SMEs and large corporations. The immediate aim was to help businesses manage their liquidity pressures, protect jobs and provide financial aid to protect the most financially vulnerable.

Assistance included a wage supplement from March to June 2020 - €800 per month for each full-timer and €500 per month for part-timers. The supplement was extended to September 2020 for businesses dependent on tourism. For all other businesses, the supplements amounted to €600/month and €375/month for full and part timers respectively. Other measures included payment of mandatory quarantine leave, an increase in unemployment benefits to those who were made redundant, additional benefits to persons with disabilities, benefits for parents, a teleworking grant to encourage people to work from home, and rent subsidies amongst various other measures.

Malta's Hospitality and leisure sector in a post COVID-19 reality

From the 1st of July Malta was a designated as safe area, opening its borders for tourism from 22 countries. The country's ability to contain the pandemic resulted in it being designated a safe corridor. A total of 20,000 passenger movements through Malta's airport within the first week of re-opening was reported, with the Ministry of Tourism projecting a total of 700,000 visitors by the end of the year, 371,109[3] having already arrived between January and March. From the 15th of July all flight restrictions have been lifted.

[2] Worldometer, coronavirus updates (Live)

[3] Inbound Tourism; January 2020, February 2020, NSO

Economic impact estimates - European Commission, July 2020

GDP (real) % change EU average	Published	2019 actual	2020 forecast
European Commission	07 July 2020	1.3	-8.7

GDP (real) % change Malta	Published	2019 actual	2020 forecast
European Commission	07 July 2020	4.7	-6

Source: *European Economic Forecast Summer 2020, Interim Report*

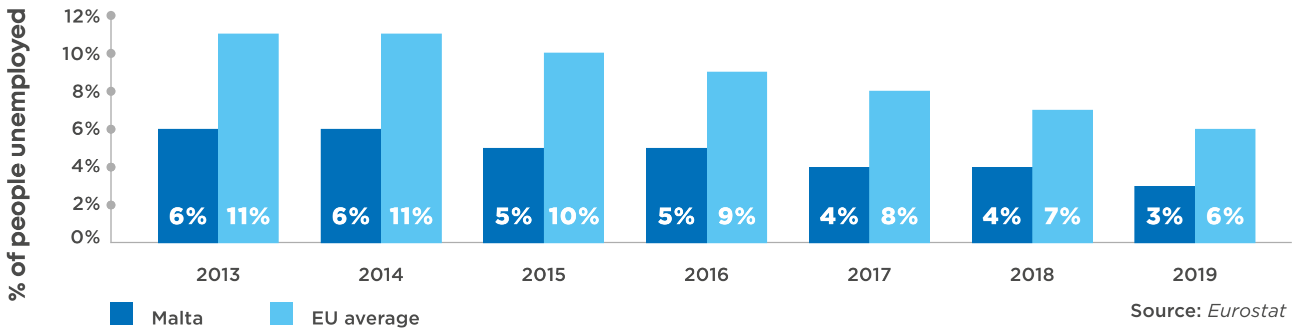
Inevitably, the COVID-19 pandemic will have a material effect on the global economy. Projections prepared by the European Commission in its summer forecast issued in May indicate that the European economy is projected to contract by 8.7%[4] by the end of 2020. Over the same period Malta's economy is anticipated to contract by 6%. Forecasts for 2021 are solidly optimistic, with a growth rate of around 6% anticipated both on a European and local level.

The impact on certain sectors, such as hospitality and leisure, will be more pronounced in comparison to essential sectors, such as the healthcare.

Malta's unemployment statistics in comparison to the EU average

Since 2013, unemployment has decreased across the EU member states[5]. Over the last 7 years the unemployment rate in Malta has gone down drastically from 6.1% in 2013 to 3.4% in 2019, that is, from 7,400 person in 2013 to 1,640 in 2019 respectively. In 2019, the unemployment rate in Malta was at 3.4%, almost half of the 6%[6] European average.

Unemployment statistics Malta and EU-avg, 2013-2019



Source: *Eurostat*

[4] European Economic Forecast Summer 2020 (Interim)

[5] Eurostat

[6] Eurostat

Like all other nations, the COVID-19 pandemic precipitated a large increase in Malta's registered unemployment. In the first 4 months of 2020 the number of those registered as unemployed increased to around 4,500 persons.

Although Malta has seen a significant increase in its unemployment, it still maintains a good average compared to the other EU countries. The European Council has adopted temporary support to mitigate unemployment risks in an emergency (referred to as SURE). This initiative, can provide up to 100 billion euro in loans with favourable terms to member states. The instrument enables Member States to request EU financial support to help finance the sudden and severe increases in national public expenditure. This will help the European economy in its recovery from COVID-19 as well as keeping the unemployment rate stable.

Unemployment figures for May 2020

As at May 2020, the EU's unemployment average (based on 27 Member states) was at around 6.7%, with the local unemployment rate of 4.2%, for the same period. Malta still maintains its strong position compared to other European jurisdictions.

Unemployment Rates at May 2020

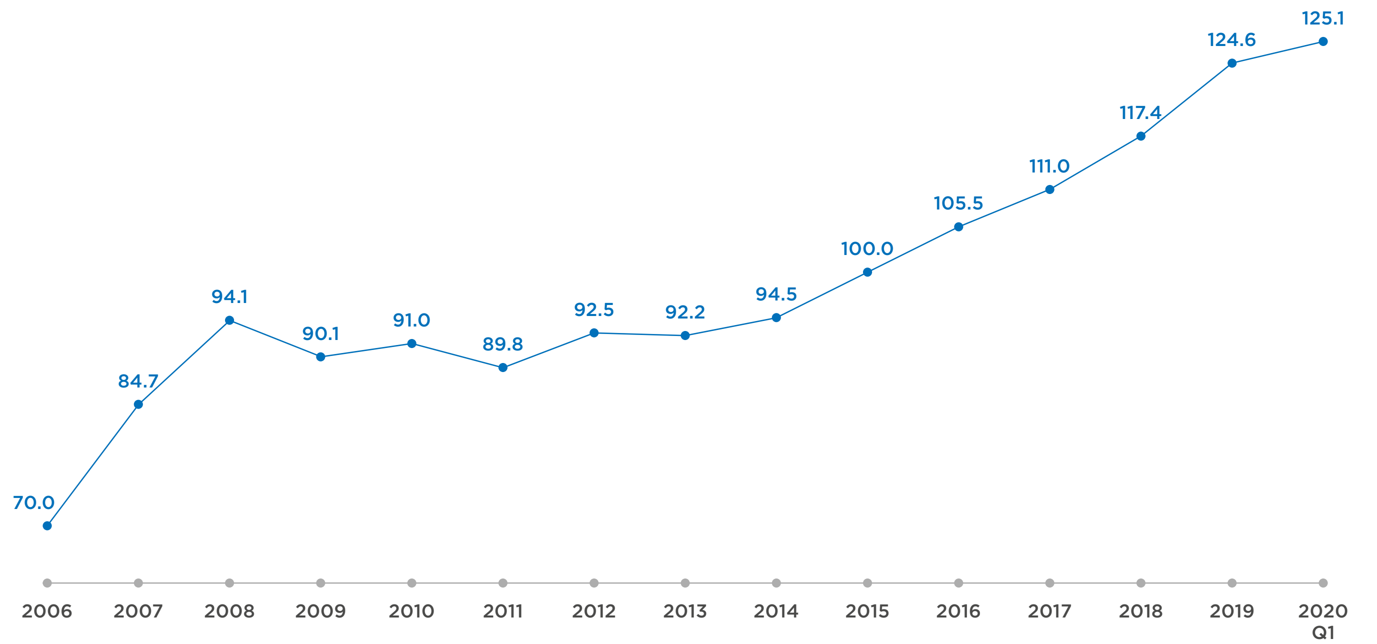
SPAIN	14.5%
CYPRUS	10.2%
LATVIA	9.8%
LITHUANIA	9.3%
CROATIA	8.9%
FRANCE	8.1%
SWEDEN	8.0%
ITALY	7.8%
LUXEMBOURG	7.7%
FINLAND	7.0%
EU	6.7%
SLOVAKIA	6.5%
IRELAND	5.6%
PORTUGAL	5.5%
AUSTRIA	5.4%
BELGIUM	5.4%
ROMANIA	5.2%
DENMARK	5.0%
SLOVENIA	4.8%
BULGARIA	4.6%
MALTA	4.2%
GERMANY	3.9%
NETHERLANDS	3.6%
POLAND	3.0%
CZECH REPUBLIC	2.4%

Source: *Eurostat*

Malta's Residential Property Market

The Maltese real estate market has always been strong and has experienced a three-decade long capital appreciation curve, withstanding even the global economic crisis in 2009. The economic and population growth spiked demand in the local residential property market, particularly between 2014-17. This is reflected in the surge of transacted property volume and the residential property price index.

Annual property price index (Basis Year = 2015)



Source: *Malta National Statistics Office, 2019*

House property index

The House Property Index (HPI) published by Eurostat captures price changes of all residential properties purchased by households, both new and existing. Looking at the compounded average growth rate (CAGR) reported between 2015-19, Malta's price movement is in line with the EU-average growth over the past 5 years.

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. Furthermore, non-EU nationals can purchase more than one property if this is located in a SDA.

Property in SDAs typically 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's location, size and views. The properties in these developments command significantly higher price points in comparison 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 for apartments with sea views.

House Property Index growth 2016-2019

HUNGARY	13.7%
IRELAND	7.7%
NETHERLANDS	7.3%
SLOVAKIA	7.3%
LUXEMBOURG	7.2%
BULGARIA	7.1%
GERMANY	6.4%
SPAIN	5.7%
MALTA	5.7%
EU-28 AVERAGE	5.6%
CROATIA	4.9%
UNITED KINGDOM	4.0%
BELGIUM	3.3%
FRANCE	2.6%
CYPRUS	1.7%
ITALY	-0.4%

Source: *Eurostat*

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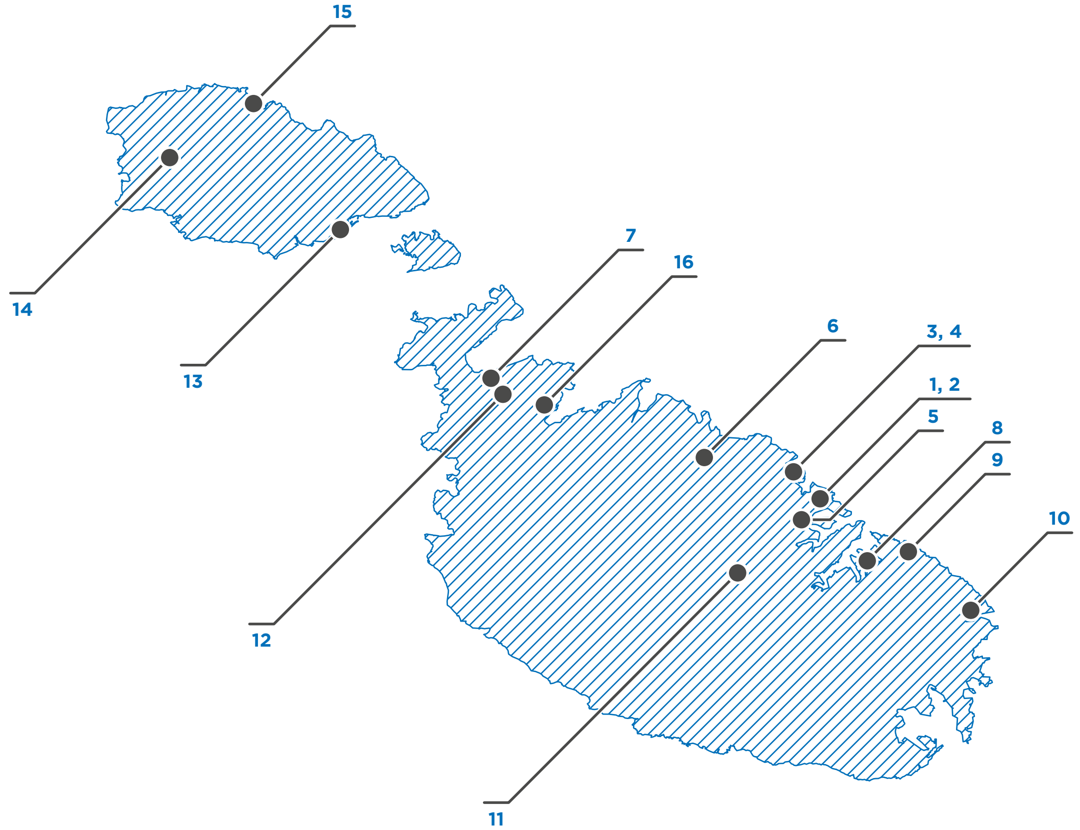
Property developments within special designated areas



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, Gżira
6 Madliena Village Complex, Madliena
7 Tas-Sellum Residence, Mellieħa
8 Cottonera Development, Cottonera
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)
16 Mistra Heights Project

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 these apartments would also be substantially higher than the average.

Economic agility, diversification and stability

In recent years, Malta has distinguished itself across a range of industries, particularly 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 maritime line CMA CGM, Microsoft, Lufthansa Technik, Playmobil and Toly amongst others, have all made Malta their business home.

The core pillars of Malta's finance sectors are Credit & Financial Institutions, Investment Funds & Asset Management, Insurance & Reinsurance, Private Wealth, and more recently Fintech. Fintech has expanded its portfolio into profitable niche areas such as pensions, payments and securitisation, and opened its doors to specifically Fintech entrepreneurs. Because Malta is increasingly becoming an innovation hub the Fintech sector in finding it attractive because it offers a wealth of talent, both tech and finance related.

AI and IoT technologies are next on the country's agenda and Malta is currently identifying policy, regulatory and fiscal measures to strengthen its appeal as a hub for foreign investment in these sectors. Malta placed first in the European Code Week, held in 2019. The initiative's objective is to help transform lives by making digital skills and innovation come to life for citizens across Europe and beyond. During the European coding week, schools, non-profits, coding clubs, and other organisations were invited to host activities centred around coding and computational thinking. For the third consecutive year, Malta has placed first, with the most events per capita. This initiative is one of the few that Malta engages in with the scope to popularize AI and IoT technologies with Maltese citizens.

Malta is also currently developing a National AI strategy to place Malta amongst the top 10 nations in the field[7].

Overall, Malta's service sector continues to expand with more investment going into new areas. The country is currently at the forefront of researching and investing in quantum technology.

In addition, it is actively becoming a hub jurisdiction for a regulated virtual currency, with parliament promising to provide transparency and legal certainty, prompting a number of international organisations to set-up shop. Furthermore, Malta is seeking to increase its exportable services, particularly in the educational, healthcare and energy sectors. In order to support the steep economic growth of recent years, investment in infrastructure 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.

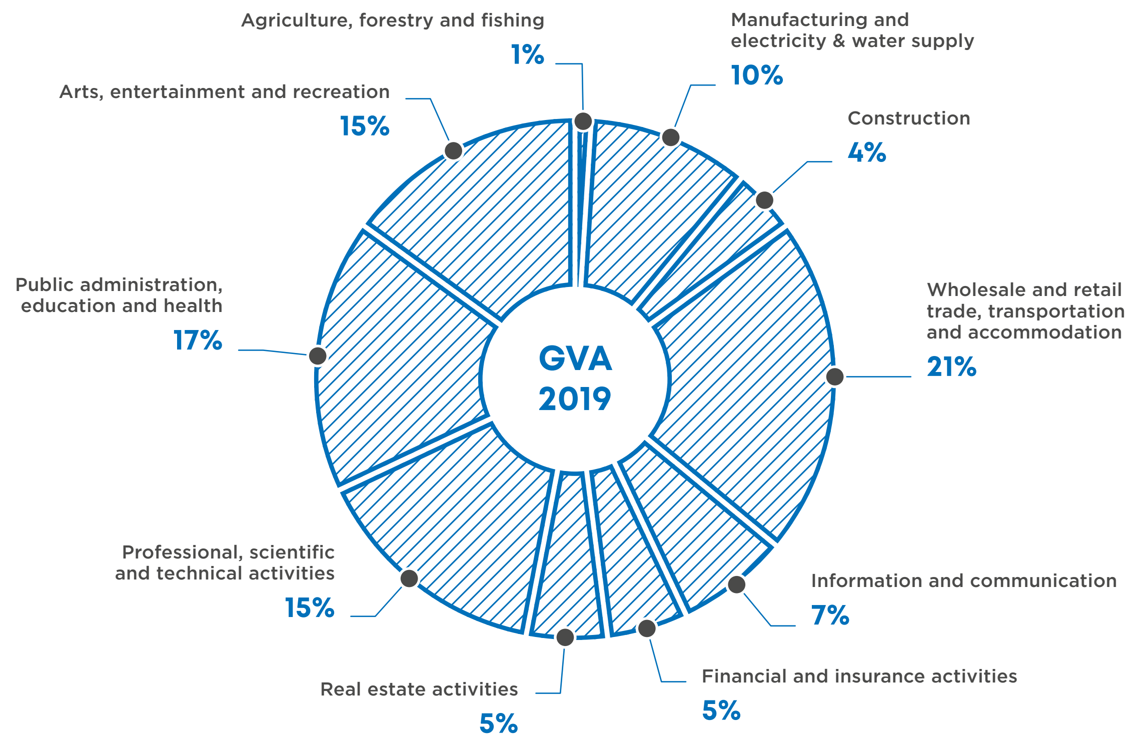
[7] Malta, The ultimate AI launchpad, A strategy and Vision for AI in Malta 2030

In 2018, Malta enacted the Production of Cannabis for Medicinal and Research Purposes Act which provides the legal framework to permit the production of cannabis for medicinal and research purposes. This law followed the amendment of the Drug Dependence Act with respect to prescribing of medical preparations of cannabis. In 2019, Malta hosted the second edition of Medcann World Forum, attracting over 1,600 experts in the field, together with investors and medical professionals from around the world. Medical cannabis is a multi-billion industry which is set to take off in the next few years.

Malta's proximity to, and cultural links to, 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, distributing 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 to all industries.

The buoyant economy has also been attracting professionals pursuing dynamic careers in various sectors. As a result, around 60% of Malta's total resident population as at Q4 of 2019 is part- or full-time employed, enjoying sustainable job prospects coupled with a Mediterranean island lifestyle.

Gross Value Added (GVA) – Sectorial distribution of Malta's GVA for 2019



Source: *NSO*

MALTA'S KEY ECONOMIC SECTORS

FINANCIAL SERVICES

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

CONSTRUCTION

As a result of the influx of foreigners who have relocated to Malta to work in the construction and real estate industries have flourished in recent years. During 2019, Malta's construction sector grew by 13.9%, increasing to approximately €447,846 million compared to that of 2013 which stood at €293.7 million[8].

[8] National Statistics Office, News Release 8 March 2019 - Gross Domestic Product: 2019

GAMING

As Europe's iGaming capital, Malta is home to the world's largest operators and hosts 283 iGaming companies[9]. 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 evolving 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.

More recently, eSports (electronic sports) is becoming an increasingly important facet in Malta's gaming industry. Esports involves multiplayer video game competitions and tournaments, often mimicking traditional sports by using similar tournament formats and regulations. Malta has yet to find its place in the eSports industry. Nevertheless, interest has grown, and the business has seen a steady growth in popularity thanks to the numerous competitions and events held.

[9] MGA, Interim Report, June 2019

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.

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 vessel and superyacht owners. Malta is also keen to position itself as a leader in new emerging activities such as aquaculture, marine biotechnology, renewable energy and e-maritime services.

DIGITAL STRATEGY

The National Digital Strategy launched in 2014 focuses on three strategic themes, Digital Citizen, Digital Business and Digital Government. These are supported by strategic enablers, Regulation, Legislation, Infrastructure and Human capital. The strategy sets out a number of guidelines, principles and actions for ICT to be used for socio-economic development. It lays out the ways in which ICT can change the economy, employment, industry and small businesses. The strategy also included a focus on how ICT can be used for national development, empower citizens and transform government. This strategy was in place between 2014-2020.

Discussions are already underway on new strategies to further advance Malta's digital economies. The very first Digital Economy think tank is to be put in motion this year. The idea is to come up with guidelines and suggestions on how Malta can diversity its economic portfolio through technological industries.

EDUCATION

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

The newly opened Barts Medical School, based at the Gozo General Hospital, was opened in 2019. This private 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.

In April 2019 a new policy on inclusive education in schools was launched. It adopts a wide definition of inclusion which embraces learners with disabilities, different sexual orientation, ethnicity, religion, as well as those high ability.

HEALTHCARE

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

In 2020, due to Covid-19, it is estimated that Malta will spend €100 million more on health than originally allocated by government. The pandemic precautionary measures were extremely successful, preparing the country even for the worst case scenario.

Malta's vision for the future is to have a fast, high end and efficient healthcare sector, including better amenities and quality of services as well as a plan to become a reputable health-tourism hub.

MALTA'S KEY ECONOMIC SECTORS
(Continued)

TOURISM

In 2019 incoming tourism increased by 5.9%, reaching the 2.8 million[10] mark. The country is rapidly becoming popular hotspot by moving beyond its traditional image as a purely sun and sea destination to 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 entertained.

The National Tourism Policy is guided by three fundamental principles - managing visitor numbers, raising the level of quality across the sector's value chain and reducing seasonality.

In June 2019, the government entered into an agreement with the Strong Universal Network to launch a set of actions that 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.

Tourism Post Covid-19

January and February of 2020 started off as promising months, racking up a 17% increase in the number of inbound tourists over 2019. The COVID-19 pandemic put a halt to this positive news. The effect of the airport shutdown was immediate - in March 2020, 75,157 or 56.5% less tourists came in compared to March 2019. No tourist figures are relevant for the April – June period as commercial travel was banned.

With the re-opening of the Malta International Airport on 1st July 2020, the local tourism Ministry is projecting the arrival of 700,000 tourists by the end of 2020. This is significantly less than the 2.8 million tourists who landed in 2019. Many hoteliers anticipate 2020 to be a loss-making, projecting no meaningful levels of occupancy or revenues till the end of the year. The impact of the COVID-19 pandemic is anticipated to carry on until 2021.

Due to particular realities in the hospitality sector, Malta's financial assistance package also aims to stimulate local tourism, encouraging Maltese citizens to support local businesses and enjoy holidays at home. To stimulate spending a €100 voucher has been issued in July to all Maltese residents over the age of 16. They can be spent on hotels, restaurant, bars and retail outlets.

In April 2020, The Malta Tourism Authority (MTA) launched a promotional campaign to retain Malta as a top touristic destination. The campaign "Dream Malta Now. Visit Later" primarily took place online and was produced in 14 different languages. The Ministry of Tourism and the MTA will continue working on marketing and incentives to attract tourists to visit the Maltese Islands. Re-opening guidelines have been published by the MTA on the 5th of June, identifying procedures to re-introduce operations on the principles of social distancing, enhancing hygienic practices and minimised infection risks.

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10 National Statistics Office, Inbound Tourism, December 2018

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.

In 2019, the Malta Aviation Conference & Expo (MACE) was held for the first time with much success. It was Malta's first B2B and B2C aviation networking event. It was a unique event with the participation of Malta's Ministry of Transport, Transport Malta's Civil Aviation Directorate, European Business Aviation Association (EBAA) with its 'Expanding Horizon's Campaign', and with the support of the Malta Business Aviation Association (MBAA).

Obviously, the COVID-19 pandemic had an enormous impact on the aviation industry, affecting passenger traffic, air cargo demand, aircraft workforce and incoming revenues. Tours and travel declined in general causing some airlines like the UK's Flybe and SunExpress Deutschland, to already file for bankruptcy due to the COVID-19 pandemic; such as.

Most of Air Malta's planes were grounded as flights decreased from over twenty daily to less than two. The extraordinary amount of cancellations, lack of income and indispensable ongoing fixed costs such as servicing and aircraft lease payments, have led the company to mitigate expenditure especially through payroll cutbacks. Many staff members who were not on a definite contract have been made redundant. Those on a fixed term contract did not have it renewed. Between mid-March and June, when the airport was shutdown Air Malta assisted government in the repatriating nationals.

The airport's summer 2020 schedule features new routes while other have been cancelled. In addition, prices have been lowered[11].

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11 Airmalta, News Publications

REASONS TO INVEST IN MALTA

Malta has emerged as one of Europe's best performing economies with high GDP growth and low unemployment. Malta has also shown its resilience throughout the COVID-19 pandemic.

Characterised by its pro-business attitude, cutting-edge technology, competitive labour costs and strategic location, Malta proved to be alluring to foreign professionals and international companies in a range of 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. 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, speaks English, 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 to attract right fit skilled human resources.

Skills Development 2020

In 2020 the government announced the skills development scheme, a €5 million investment. Through this scheme, Malta Enterprise shall support businesses to provide training and development to their workforce. The aim is to upskill and reskill the workforce to achieve a more competitive and resilient labour market. This initiative will instill the necessary skills in our workforce to further boost economic growth.

INFRASTRUCTURE

Substantial investment in both the public and private sectors is being carried out to increase the residential and tourist capacity, 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 on the road. As of 2019 Q3, the total of licensed motor vehicles reached 394,955.

As a result of overcrowding, government is investing heavily in new roads, as well as increasing and upgrading junctions in key traffic nodes. One such venture, the largest so far, is the Marsa flyover project. Government is also exploring the feasibility of an underwater tunnel between Malta and Gozo and a metro system running across Malta and Gozo. In 2019, Infrastructure Malta invested €64 million in over 14 projects to improve the safety, efficiency and sustainability of Malta.

START-UPS

Government has recognised the key role that new 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 as well as less burdensome audit and administrative requirements.

Malta Information Technology Agency (MITA) is a start-up programme in which participants are guided on validation, testing and execution of business ideas, helping identify and develop all the building blocks to build a product with a unique selling proposition. The zero-equity "YouStartIT" accelerator programme offers a pre-seed investment of €30,000.

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. During the COVID-19 pandemic, the government encouraged further investment in the digital economy. The aim is to invest in technology to transform Malta into a 'Beta Island', essentially to continue serving as a sand box for innovative technological projects before being launched in larger markets.

EASE OF ACCESS

Numerous airlines operate to and from Malta, including major ones such as Emirates, Lufthansa, British Airways, Qatar Airways, Ryanair, EasyJet, Wizzair, Vueling Airlines, Air France and Turkish Airlines. Moreover, last year the Malta International Airport was granted approval for a master plan which focuses on transforming it 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. As a result of the COVID-19 pandemic, this project has been put on hold.

CLIMATE & 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 & 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

Malta introduced the Individual Investor Programme (IIP) which grants Maltese citizenship to foreign individuals and their families who contribute to the country's economic development 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 contribution of €650,000 and additional payments according to the number of dependents; 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.
- In terms of a recent communication issued by the Malta Individual Investor Programme Agency, applications under the current programme will continue to be accepted until the end of September 2020.

A new programme is expected to be issued that will continue to offer Maltese citizenship to foreign individuals and their families who contribute to the economic development of Malta. The specific conditions for such a new programme are not yet published.

Malta Residence and Visa Regulations

Furthermore, an individual may obtain a Maltese residence permit, in terms of the immigration Act under the **Malta Residence and Visa Regulations (MRVP)**, subject to the fulfilment of certain criteria.

Under the MRVP, Third Country Nationals and their dependents who are willing to bring investment to Malta are granted a Maltese residence permit 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 submission of the relevant application to the Agency) and, where applicable, €5,000 per parent or grandparent of the main applicant or spouse;
- invest an initial value of €250,000 or as maybe determined from time to time by the Malta Residence and Visa Agency; and
- purchase property at not less than €320,000 (or €270,000 for a property situated in Gozo or the South of Malta) or rent for not less than €12,000 per annum (or €10,000 for a property situated in Gozo or the south of Malta).

Tax incentives for foreign investors

Malta gives various incentives to foreigners, a policy which has been instrumental to attract a significant number of expatriates.

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

With regards to personal taxation, individuals in Malta are as a rule subject to progressive tax rates. Having different rate scales for different categories, the system has a 35% ceiling. The general rule is that expats are taxed on income and certain local capital gains as well as 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 (other than stamp duty). 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 net worth expatriates, pegging an attractive 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' worth not less than €275,000 (or €220,000 for property situated in Gozo or the south of Malta) or lease a 'Qualifying rented property' for €9,600 per annum or more (€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.

The **Malta Retirement Programme Rules** apply to expatriates 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 constitute at least 75% of the beneficiary's income chargeable to tax in Malta. An individual qualifying under this programme will be subject to a tax 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 a year averaged over 5 years. The Malta Retirement Programme Rules were now extended to third country nationals.

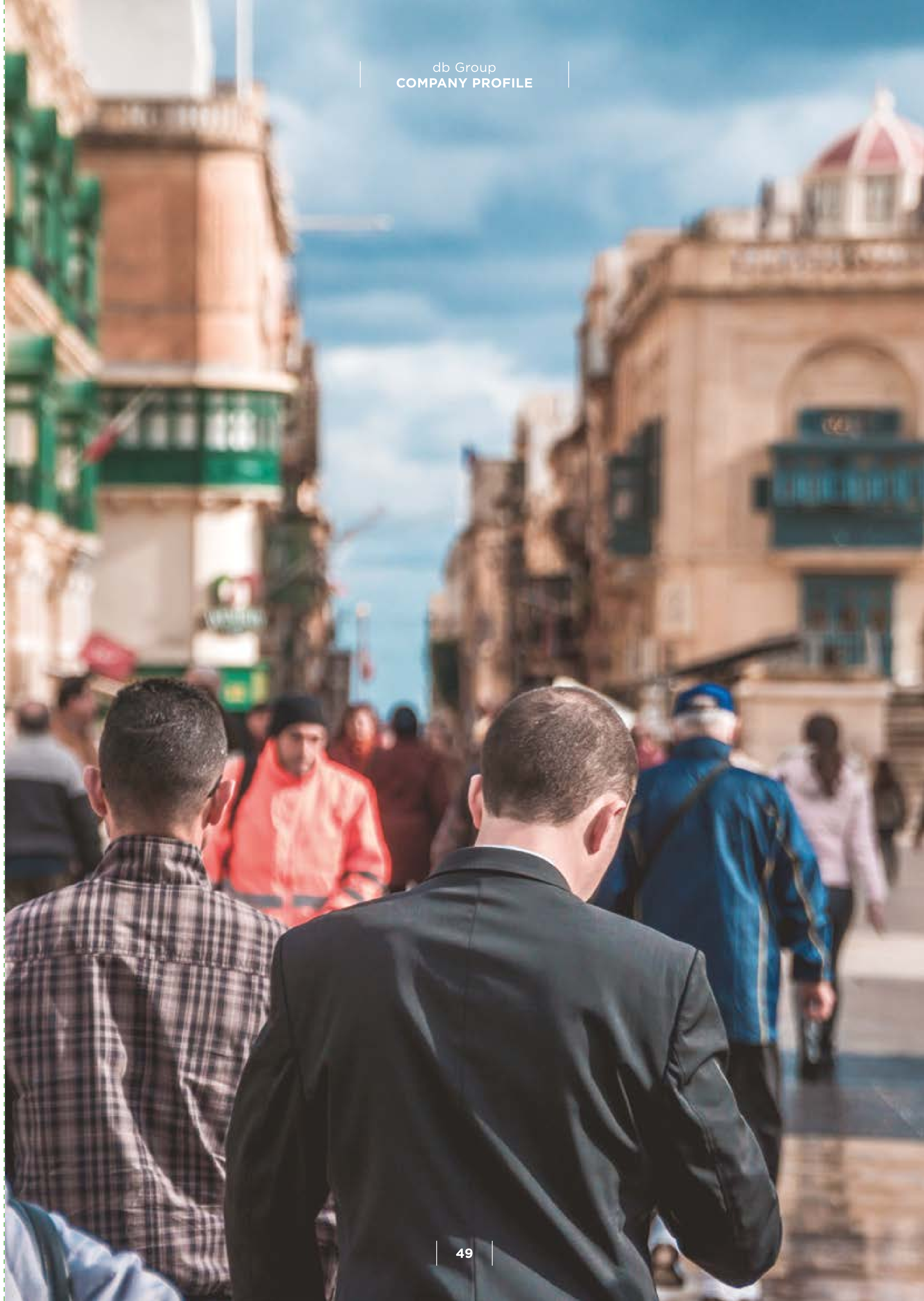
The **United Nations Pensions Programme (UNPP)** is available to expatriates in receipt of a UN pension or a Widow's / Widower's Benefit of which at least 40% is received in Malta. UN pension or widow's / widower's benefit income received in Malta is exempt from local income tax. Other foreign income 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. In the case of a married couple both of whom are in receipt of a UN pension, the total minimum tax for the couple would increase to €15,000, 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%, on condition that they do not 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 operator's 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 option to apply for a 4 year extension. No determination in terms of these Rules should be issued following 31 December 2020. Any determination issued should refer to employment commencing 31 December 2021 and terminated by 31 December 2025.

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** and T**he Qualifying Employment in Innovation and Creativity 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.



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COMPANY PROFILE

HOSPITALITY AND LEISURE

HOSPITALITY AND LEISURE

Tourism is a main pillar of the Maltese economy, attracting around 2.8 million tourists a year[12]. In 2019, travel and tourism contributed 10.3% to the country's GDP. In the nine years ending in 2016, tourist arrivals increased by an annual average rate of over 5% year-on-year, well over averages reported in the European Union[13].

Main Indicators for Inbound Tourism for Malta 2017-2019

	2017	2018	2019	% change 18-19
Inbound tourists, not including overnight cruise passengers (thousands)	2,274	2,599	2,753	+5.9%
Tourist guest nights (thousands)	16,500	18,570	19,350	+4.2%
Average length of stay (days)	7.3	7.1	7.0	-0.1 days
Tourist expenditure (€ millions)	1,950	2,100	2,200	+4.8%

Source: *National Statistics Office*

May to October are the peak tourist months, August being the peak one. Tourists coming from Europe account for around 83% of all inbound visitors[14]. The UK remains Malta's main source market, accounting for 26% of annual arrivals. Around 16% come from Italy, while German and French visitors account for 16% of total annual visitors.

Over the years, Malta's tourist profile has shift from a 'sun and sea' focus to a more varied and cosmopolitan 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[15].

[12] National Statistics Office, Inbound Tourism: December 2019
[13] Ministry for Tourism, Draft National Tourism Policy 2015-2020
[14] National Statistics Office, Inbound Tourism: December 2019
[15] National Statistics Office, Inbound Tourism: December 2019

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COMPANY PROFILE

As at the beginning of 2020, the number of hotels in Malta and Gozo stood at 123, with over 38,000 beds available. The majority are 4 and 3 star establishments, housing 18,444 and 11,821 beds respectively. During 2019, 45% of non-resident hotel guests stayed at 4-star hotels, whilst another 25% stayed at 3-star hotels, and 19% opted for 5-star hotels[16].

Travel and Tourism in a post COVID-19 reality

Economic recovery post 2020 is extremely uncertain due to the COVID-19 pandemic. The World Travel & Tourism council has envisioned three recovery scenarios - best case, baseline and worst-case.

Since the closure of Malta's airport in March 2020 and with the forced closure of hotels and restaurants from late March until 1 July, the hospitality sector took a massive hit. Yet even in such turbulent times, the db Group has shown its strength and resilience. None of its 750 employees in the hospitality and leisure division were let go. Staff was placed on a 32-hour working week, one of the best local packages offered in the sector.

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

Around 95% of all tourists travel to Malta by air. In 2019 the Malta International Airport (MIA) registered 7.3 million passenger movements, a 7.4% increase over the previous year[17]. This growth was driven by additional capacity deployed by operating airlines and a number of new airlines and routes operating to Malta.

SEA CONNECTIVITY

In 2019, around 770,000 cruise passengers visited Malta, 21% more than in 2018. Around 64% of cruise visitors hailed from EU member states[18]. Malta is also traditionally popular as a yachting destination, offering a wide range and volume of berthing facilities.

[16] National Statistics Office, Collective Accommodation Establishments: December 2019
[17] Malta International Airport, Annual Statistical Summary 2019
[18] National Statistics Office, Cruise Passengers: Q4 2019

db SEABANK RESORT + SPA

1984

Silvio Debono acquires 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 as the number of rooms is doubled to reach 160.

2001

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

2005

Seabank Resort + Spa undergoes a major overall refurbishment programme.

2012

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

2018

With a capital injection of €1.5 million the pool area is renovated, the service offering is enhanced and more guest facilities included. The events area is revamped to accommodate three new entertainment spaces, including an indoor hall for events.

db SEABANK RESORT + SPA

The db Seabank Resort & Spa is a 4-star all-inclusive hotel located in Mellieħa Bay. It is Malta's first fully all-inclusive resort, offering a superior service and enjoying amazing unobstructed sea views. The hotel sits on approximately 23,000m² of land, 19,000m² of which are landscaped.

In 2012, with an injection of €40 million, the resort was renovated and extended to a 540-room facility. The Hotel offers seven themed restaurants, four bars, Malta's largest hotel pool, a state of the art fitness centre, and a spa with a heated indoor pool offering panoramic views. In 2015, a new entertainment complex including three restaurants, a bowling alley, a sports bar, and a teens and kids club were inaugurated on its grounds.

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

tripadvisor Travelife HolidayCheck.com
Hotels.com Booking.com Jet2holidays

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
Certificate of Excellence by Trip Advisor
Traveller's Choice by Trip Advisor
Most Popular Hotel in Mellieħa by HolidayCheck.com
Gold Award Accessible Tourism by Travelife

2013
Top 25 All-Inclusive Resort in Europe by Trip Advisor
Certificate of Excellence by Trip Advisor
Traveller's Choice 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, TripAdvisor ranked the db Seabank Resort & Spa in the top 10 best all-inclusive hotels in Europe.

2020 RESULTS AND KPIS

Despite the Hotel's total revenue and Achieved Average Room Rate declining marginally for the year, the reported Gross Operating Profit (GOP) increased by circa. €1.2 million with the GOP margin increasing to 47%, outperforming the Hotel's peers in the 4-star local sector, at 40% as reported in the Malta Hotel and Restaurants Association (MHRA) annual results for December.

OCCUPANCY
(%)

Average occupancy achieved by 4-star hotels operating in Malta was 82% (for 2019)

MAR 2018	82%
MAR 2019	80%
MAR 2020	83%

3%
CHANGE FY2019/FY2020

AVERAGE ACHIEVED ROOM RATE
(€)

Average ARR achieved by 4-star hotels operating in Malta was €75.90 (for 2019)

MAR 2018	120
MAR 2019	131
MAR 2020	128

-2.3%
CHANGE FY2019/FY2020

REVENUE
(€000s)

MAR 2018	22,733
MAR 2019	24,743
MAR 2020	24,338

-1.6%
CHANGE FY2019/FY2020

GROSS OPERATING PROFIT
(€000s)

Average GOP Margin achieved by 4-star hotels operating in Malta was 40.3% (for 2019)

MAR 2018	11,946	53%
MAR 2019	10,257	41%
MAR 2020	11,428	47%

11.4%
CHANGE FY2019/FY2020

During the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.

db SAN ANTONIO HOTEL + SPA

db Group
COMPANY PROFILE

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.

db SAN ANTONIO HOTEL + SPA

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

In operation since 2002, it 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 offered on a long-term accommodation basis. In line with this upgrade, the hotel was 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

2020 RESULTS AND KPIS

The db San Antonio hotel & Spa's, total annual revenue, at circa €19.9 million is in line with prior year, while the GOP declined by 4.7%. The Hotel well superceds the industry averages reported by the local 4-star players, as publlished in the MHRA report, in terms of ARR and GOP margin. The Hotel reported a GOP margin of 59% while the average GOP reported by other 4-star hotels was 40%.

OCCUPANCY

(%)

Average occupancy achieved by 4-star hotels operating in Malta was 82% (for 2019)

MAR 2018	78%
MAR 2019	80%
MAR 2020	79%

-1%

CHANGE FY2019/FY2020

AVERAGE ACHIEVED ROOM RATE

(€)

Average ARR achieved by 4-star hotels operating in Malta was €75.90 (for 2019)

MAR 2018	116
MAR 2019	124
MAR 2020	126

1.9%

CHANGE FY2019/FY2020

REVENUE

(€000s)

MAR 2018	18,202
MAR 2019	19,786
MAR 2020	19,889

0.5%

CHANGE FY2019/FY2020

GROSS OPERATING PROFIT

(€000s)

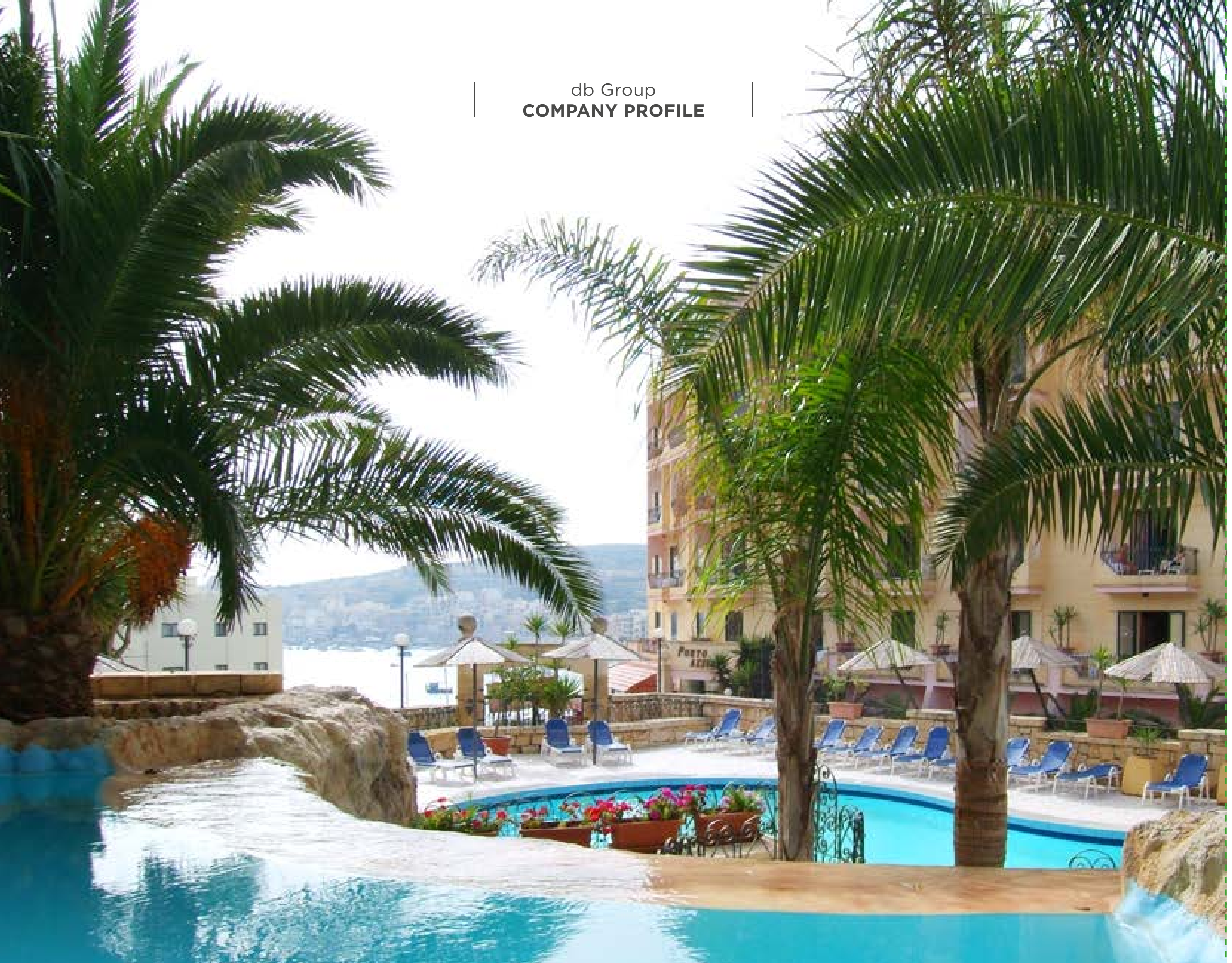
Average GOP Margin achieved by 4-star hotels operating in Malta was 40.3% (for 2019)

MAR 2018	7,726	42%
MAR 2019	12,368	63%
MAR 2020	11,792	59%

-4.7%

CHANGE FY2019/FY2020

During the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.



PORTO AZZURRO HOTEL

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.

Porto Azzurro is a 3-star, 125-room aparthotel situated on the coast of Xemxija Bay, within the locality of St Paul's Bay. The rooms and apartments are stylish and comfortable, with ensuite bathrooms, air conditioning, fully equipped kitchenettes 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, jacuzzi, fitness centre, games room and mini market.

2020 RESULTS AND KPIS

OCCUPANCY
(%)

Average occupancy achieved by 3-star hotels operating in Malta was 80% (for 2019)

MAR 2018	74%
MAR 2019	74%
MAR 2020	68%

-6%

CHANGE FY2019/FY2020

AVERAGE ACHIEVED ROOM RATE
(€)

Average ARR achieved by 3-star hotels operating in Malta was €67.60 (for 2019)

MAR 2018	44
MAR 2019	45
MAR 2020	48

6.7%

CHANGE FY2019/FY2020

REVENUE
(€000s)

MAR 2018	1,406
MAR 2019	1,561
MAR 2020	1,315

-15.8%

CHANGE FY2019/FY2020

GROSS OPERATING PROFIT
(€000s)

MAR 2018	299
MAR 2019	258
MAR 2020	146

-43.4%

CHANGE FY2019/FY2020

During the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.

db Group
COMPANY PROFILE

EVENTFUL

EVENTFUL

Eventful is an entity within the db Group that takes care of all the events held across all of db properties. Eventful manages all in-house and outsourced functions, activities and events.

Eventful's success is the result of the dedicated team, which are all experienced and enthusiastic individuals with a passion for creating curated and memorable events. The team is backed by ample years of experience in the food and beverage industry, event planning and event coordination. Clients will be spoilt for choice with multiple venues to choose from: indoor to outdoor locations with multiple capabilities, a wide range of restaurants, clubs, hotels and resorts are available to suit ones needs.

The Eventful team will free clients from the anxiety associated with organising a successful event.

We have successfully delivered office and corporate events, charity functions, weddings and civil unions. We also cater for home and private dining experiences. Our clients greatly value the wide selection of cuisine which we are able to provide, prepared by our specialised chefs.

HOLISTIC SERVICES

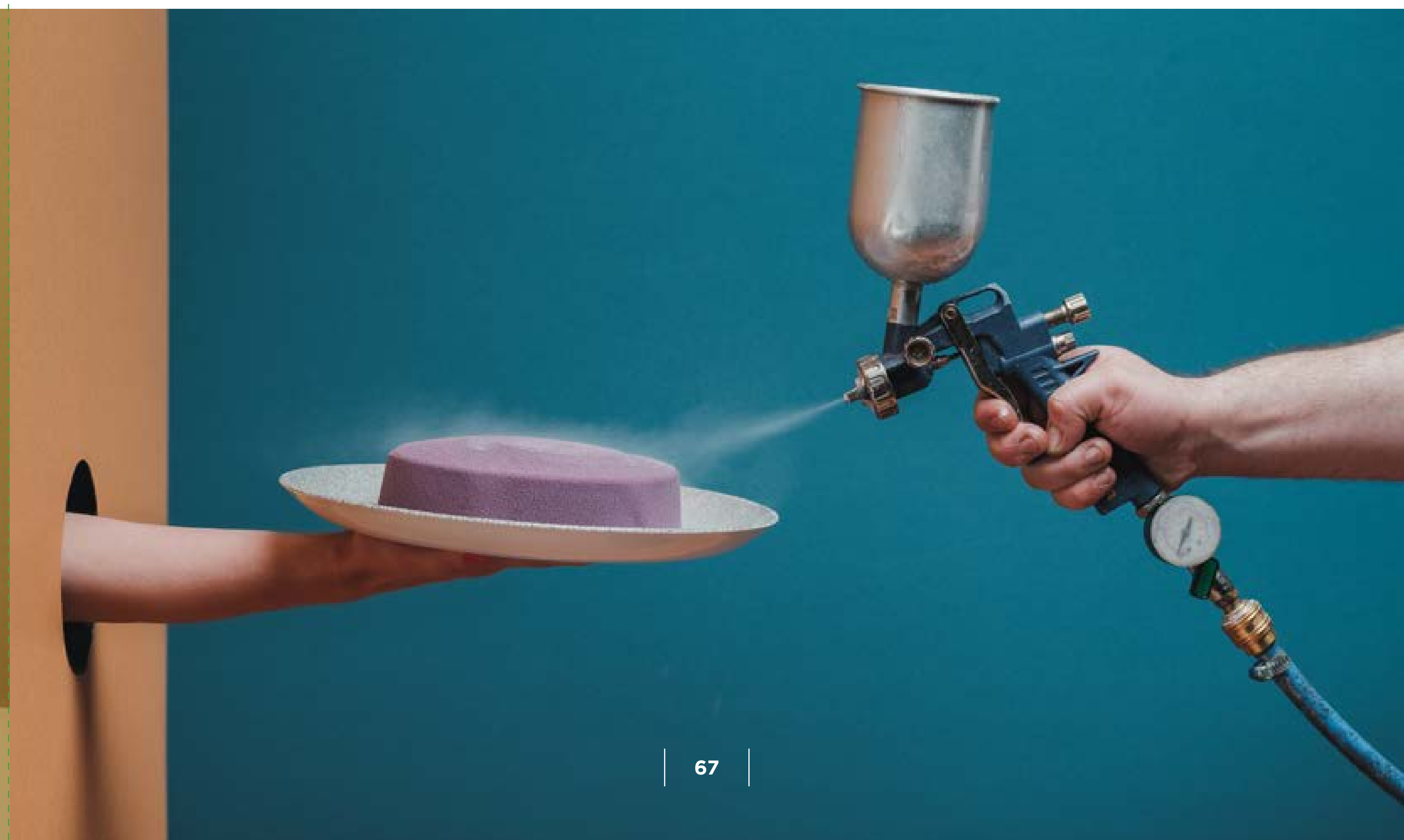
Our wide range of services will ensure events can be planned hassle free, under one roof. Clients are guided and presented with options, every step of the way, from the initial idea to its realisation.

CORPORATE SERVICES

The corporate services team assists companies in creating company 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 state of the art conference facilities.

WEDDINGS

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



HARD ROCK CAFÉ MALTA

HARD ROCK CAFÉ MALTA

In 2000, the db Group obtained the prestigious franchise to open Malta's Hard Rock Café and today operates three outlets across the island:

ST JULIAN'S

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

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

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. This year the outlet was refurbished.

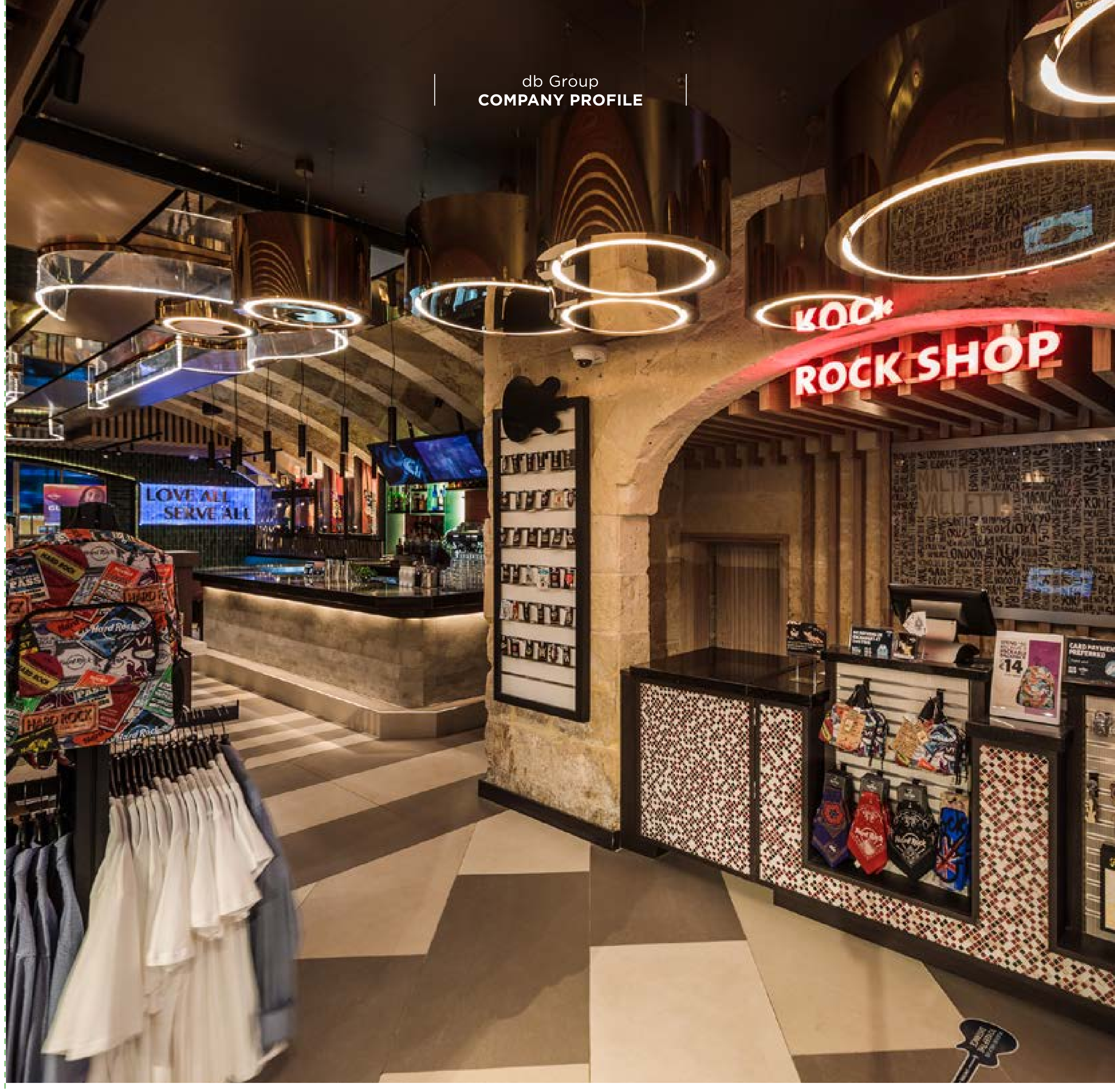
Over the years, the restaurants have won a number of prestigious awards:

2019 Hard Rock Café Malta
Certificate of Excellence by Trip Advisor

2014 Hard Rock Bar, 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



2020 RESULTS AND KPIS

REVENUE
(€000s)

MAR 2018	6.532
MAR 2019	6,883
MAR 2020*	6,767

-1.7%
CHANGE FY2019/FY2020

* It is important to note that during FY20, Hard Rock Valletta was closed for a period due to the refurbishment.

During the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.

db Group
COMPANY PROFILE

STARBUCKS MALTA

STARBUCKS MALTA

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, one cup at a time.

2018

The Group announces a licensed exclusive partnership to operate and develop a number of Starbucks stores in Malta in various locations. The db Group is proud to have brought another international franchise to Malta, bringing the iconic American coffeehouse experience to the island.

2019

The first Starbucks store opens its doors at Vault 15 at the Valletta Waterfront. This outlet officially opened up the brand's 80th global market. This store was designed to marry both our vibrant Mediterranean culture and aesthetics with a touch of Starbucks' own mercantile roots in Seattle's historic Pick Place Market. The Valletta store has received very positive feedback from the media, especially for its architecture and ambiance. The second outlet was opened in Mellieħa, in June 2019, at the Group's seaside complex in Għadira Bay, overlooking Malta's largest sandy bay.

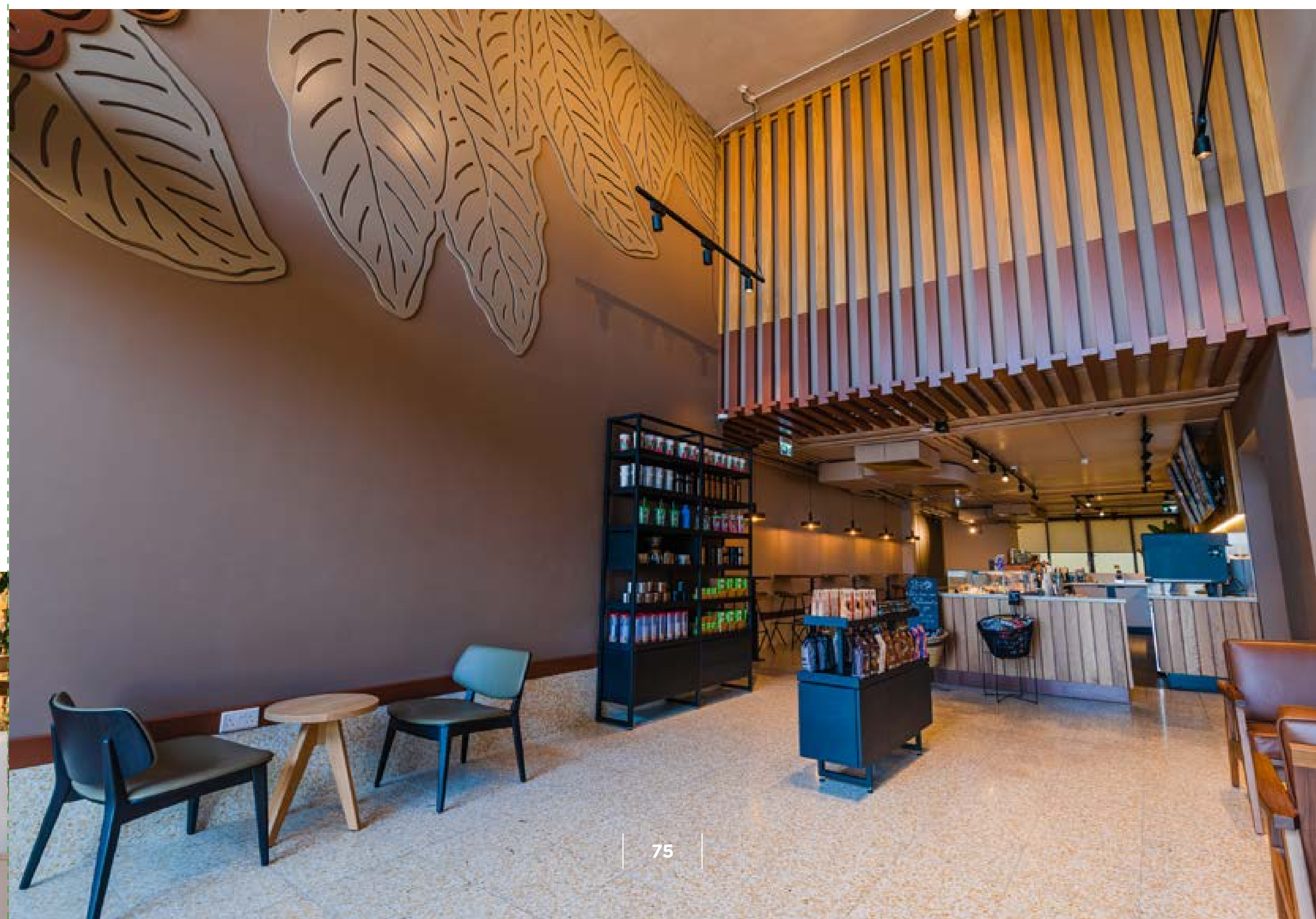
2020

During the year the Group, as the Starbucks brand quickly gains traction, the third and fourth outlets open their doors - at the bustling Piazzetta Business Plaza on Tower Road, Sliema, and on equally busy Islet Promenade in Buġibba. The fourth outlet was opened in June 2020.

Even though 2020 has been an extremely difficult one, particularly for the leisure and hospitality sector, the db Group did not halt its investment plans and went ahead with the planned store openings. In fact, the Buġibba outlet was opened during May when partial lock down measures and operational restrictions were already in place.

Starbucks generated €1.2 million in revenue during for the financial year end as at March 2020. Revenue was generated from three outlets; Valletta, Mellieha and the newly opened Sliema outlet, in January 2020. The fourth outlet opened after the financial year end. During the last month of FY20, footfall and revenue was severely interrupted as a result of the COVID-19 pandemic.

db Group
COMPANY PROFILE



AMAMI, BLU BEACH CLUB & WESTREME

db Group
COMPANY PROFILE

AMAMI, BLU BEACH CLUB & WESTREME

1993
The Group acquires the Tunny Net Complex at the water's edge in Għadira, 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
A complete refurbishment is carried out.

2018
Another, more extensive renovation is carried out with an investment of €3 million. The complex now houses three restaurants, a beach lido, and a convenience store to service tourists.

2019
Malta's second Starbucks outlet Malta opens its doors in the complex.

2020
March 2020 marked the second year of operations since the complex was renovated and rebranded. Total revenues exceed the €5.7 million mark, despite the fact that the last month of the Financial year registered negligible turnover levels due to the COVID-19 pandemic.

AMAMI

The complex houses Amami, a Japanese and Asian haute cuisine, prepared by an expert team of international chefs who make use of authentic techniques such as a robatayaki grill, a traditional form of fireside cooking. Guests can enjoy magnificent unobstructed views of Malta's most picturesque the bay.

BLU BEACH CLUB

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

WESTREME

Westreme is a family restaurant offering an extensive and well-priced menu. Patrons enjoy the spectacular and tranquil views of the Mellieħa Bay while children enjoy the dedicated play area right in the restaurant, making it the perfect family restaurant.

2020 RESULTS AND KPIS

REVENUE
(€000s)

*During FY18 the Complex was closed for 4 months for the location's refurbishment and rebranding.

During the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.

NINE LIVES

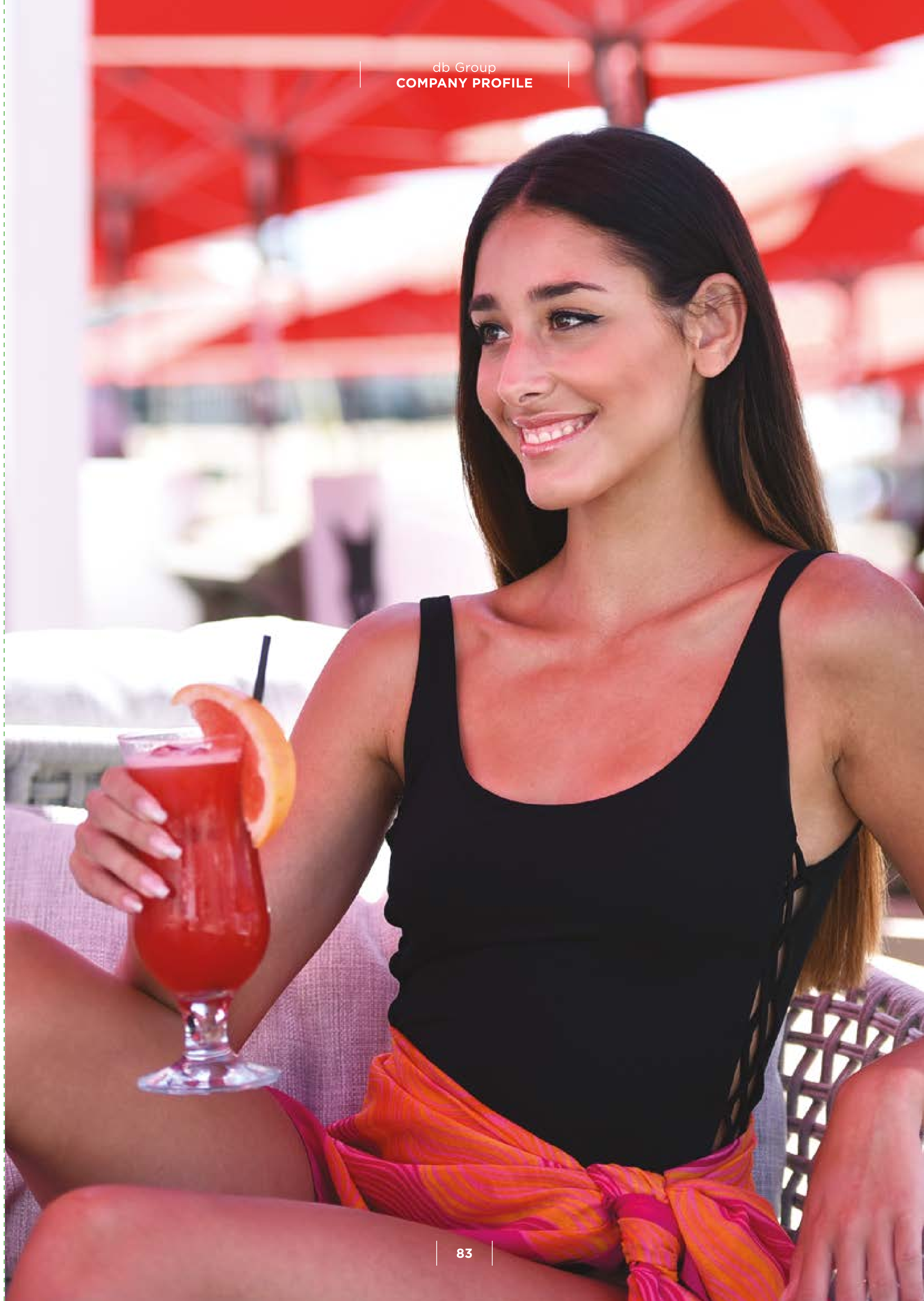
NINE LIVES

Last June, the Nine Lives beach club opened its doors. With an investment of €2.5 million, the Group developed a cool, urbane yet casual ambiance at a carefully curated space at the perched beach in St Paul's Bay.

The club offers a novel chill out, swimming, and dining experience right on the water's edge with majestic views of St Paul's islands. In between dips in the Mediterranean Sea, guests can bask in the sun while enjoying gourmet food. In the evening, music becomes an integral part of the seaside, summery atmosphere, with regularly scheduled events.

In its first year of operations Nine Lives has been well received, becoming a popular destination with locals and tourists, achieving excellent operational and financial results, reaffirming the Group's ability to successfully create novel leisure experiences.

During FY20, Nine Lives generated €1.350 million in revenue. It is also important to note that during the last month of FY20, business was interrupted as a result of the COVID-19 pandemic.



AKI

AKI

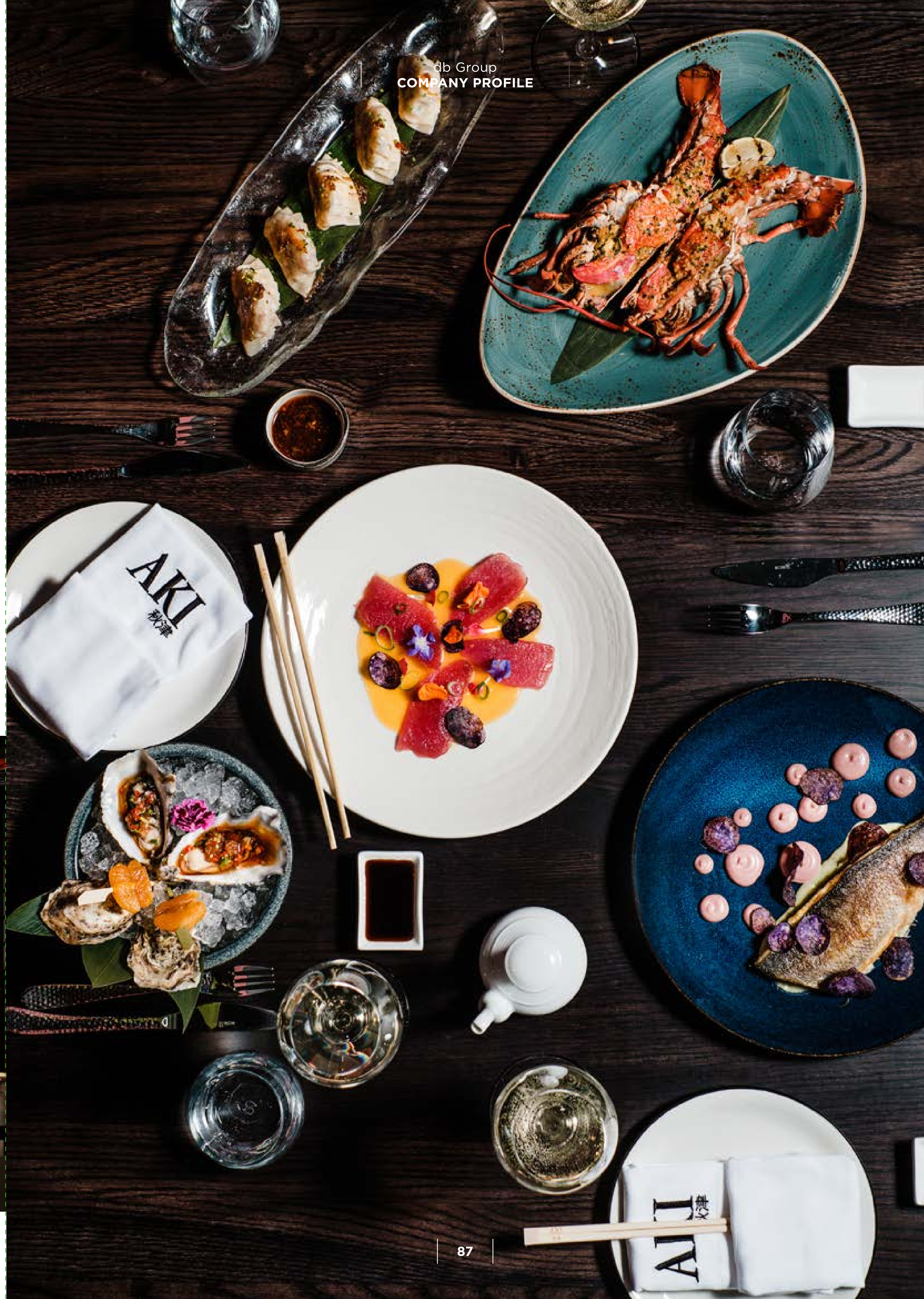
In February 2020, with an investment of €1.2 million the db Group opened AKI, a new restaurant and lounge bar in Valletta offering a unique gastronomical experience.

AKI offers a delicious spin on familiar Japanese flavours. Guests can taste signature Japanese-inspired dishes prepared with care and with flavours to satisfy modern palates and contemporary styles. At the lounge area, guests can choose a signature cocktail from AKI's extensive drinks menu. It is a cocoon where the music and sophisticated décor add to the perfect setting to relax and unwind.

AKI was created with the aim of diversifying the db Group's extensive portfolio of restaurants, building on the experience gained over the last three decades. Highly specialised interior and lighting designers were engaged to deliver the concept and ambience envisioned by the Group. London-based Jestico + Whiles, an international architecture studio, designed the AKI interiors, the lighting was entrusted to Into Lighting Ltd, a leader in lighting design with four decades of experience.

As a result of the COVID-19 pandemic, the restaurant was forced to close its doors only weeks after the opening. At the end of May, restrictions were lifted and AKI continued on its journey to offer a unique experience to its patrons.

db Group
COMPANY PROFILE



HEALTHCARE

The public sector is the main healthcare service provider in Malta. It is complemented by a private sector which mostly delivers primary healthcare services. In 2018, the country had a total of around 2,088[19] hospital beds. Going forward, the number of beds is expected to increase through a €2 billion public-private partnership with Steward Health Care (SHC), which took over from Vitals Global Healthcare. Steward Health Care is set to remodel and refurbish the current Gozo Hospital, Karin Grech Hospital and St Luke's Hospital.

During 2020, SHC submitted applications for the work at St Luke's Hospital. Their applications for the complete renovation of the Gozo General Hospital are also progressing. During the COVID-19 pandemic, SHC converted the recently opened Barts Medical School Campus to accommodate a potential spike in demand for extra beds.

Throughout the pandemic, the Maltese health care system demonstrated that it is robust. The number of isolation beds in hospital was increased by around 680. Furthermore, measures were adopted at Malta's main general Hospital, Mater Dei, to duplicate its emergency room facilities to cater for COVID-19 and non COVID-19 persons separately, with a view to decrease the likelihood of contagion between patients.

To address the health requirements precipitated by the pandemic Malta adopted budgetary measures in coordination with the EU. According to the 2020 Stability Programme, the budgetary measures amounted to 4.1% of GDP[20]. These measures included an increase in the healthcare capacity, COVID-19 related social measures and wage supplements for distressed sectors. In March 2020, the European Commission approved a Maltese aid scheme of €11.5 million to support investment in products that are relevant to the coronavirus outbreak, including vaccines, ventilators and personal protective equipment. Under this scheme, Malta was also granted a €5.3 million direct grant to support investment in research and development related to the COVID-19 outbreak.

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. In search for the optimum model to develop and run these institutions, the Government has signed various contracts with the private sector. During the year, it was indicated that around 2,500 persons are currently on waiting lists for admissions into elderly homes.

According to the European Commission joint report on Health Care and long-term care systems, one of the challenges the Maltese system is facing is the shortage of licensed beds in retirement homes. A solution could be to encourage home care as an alternative to institutional care. Malta has recently launched the Care at Home Scheme, in which the beneficiary will receive a maximum amount of around €5,300 a year to help support those citizens who employ a home carer of their choice to assist them in their daily needs at home.

Nursing and Elderly Home Beds

The average age of admittance into nursing homes is 79 years. Currently there are around 38,000[21] (7% of total population) in the 75+ bracket, men and women who could opt for assisted living or accommodation within a nursing home. In total there are only around 5,605[22] available beds in nursing and residential care facilities. Due to Malta's aging population, demand for long-term care will continue to increase, most probably increasing the waiting period of applicants.

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19 Eurostat data: Hospital Beds by type of care
20 European commission, council recommendation 2020
21 National Statistics Office, Population Statistics 2019
22 Eurostat, 2020

HEALTHMARK CARE SERVICES LIMITED

2014

Through its partnership in Malta Healthcare Caterers Limited, the Group acquires the two largest healthcare companies in Malta and sets up Healthmark Care Services Limited (Healthmark). The key objective is to supply healthcare workers to public hospitals and clinics, as well as provide home care and support services.

2015

Through its partnership in Malta Healthcare Caterers Limited, the Group acquires land to develop a 300-bed home for the elderly in Santa Lucija, as well as a historic building in Mtarfa, which was subsequently converted into a 150-bed residence for the elderly dementia patients. The service offering in this area significantly increased when the Group took over operations from what used to be the MMDNA.

2016

Service offering is expanded to include domiciliary care for the elderly.

2017

Through a PPP, Malta Healthcare Caterers Ltd and James Caterers Ltd are awarded the concession for the construction and operation of an additional 490 beds at SVPR, a senior living care residence. Through the same PPP, Malta Healthcare is also tasked to set up an onsite, fully-equipped kitchen and to provide daily catering services to residents. The capital investment injected by Malta Healthcare is amounted to over €35 million.

2020

Four new blocks to accommodate an additional 490 residents are successfully completed, meeting the project timelines.

Today, Healthmark has a pool of 267 professional nurses, 207 staff members providing domiciliary care to the elderly and over 2,096 trained care aassistants. These numbers are on the increase in light of high demand. In fact, having increased its headcount, Healthmark is now the largest employer of healthcare professionals in Malta. Operationally, staff work on contracts with various hospitals, clinics, retirement homes, schools, and private residences.

In 2017, a consortium made up of Malta Healthcare Caterers Ltd and James Caterers Ltd, was awarded a concession a PPP arrangement for the provision of services at SVPR a senior living care residence. 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 has been awarded the construction and operation of a fully equipped on-site kitchen to provide catering services for the existing 1,100 beds at the residence. During the past 12 months the blocks were fully constructed within the agreed upon project timeframes.

In 2019, 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:

2020 RESULTS AND KPIS

REVENUE
(€000s)

DEC 2017	34,907
DEC 2018	41,828
DEC 2019	56,855

35.9%
CHANGE FY2018/FY2019

CONTRACT CATERING

Overview of the Contract Catering Market

Contract catering in Malta has developed substantially over the last decade. The highest demands for it come from the healthcare and catering sectors, as well as detention centres.

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. A further reduction in inflight meals is anticipated as a result of the pandemic.

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 same partnership, the Group starts supplying meals to Gozo's Acute Care Hospital.

2017

Under a 10-year catering agreement, Malta Healthcare Caterers Ltd and James Caterers Ltd are awarded the continued supply of meals to 1,100 beds at Saint Vincent de Paul 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 around 6,000 cook-chill meals a day, making it the largest operation of its type 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, to the Gozo General Hospital since 2013 and to Saint Vincent de Paul 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 and James Caterers Ltd were awarded the continued supply of meals for residents at Saint Vincent de Paul and entrusted with the setting up of an onsite, fully equipped catering centre.

2020 RESULTS AND KPIS

REVENUE
(€000s)

* Please note that the financial year end date has been changed from 31 December to 31 March, and therefore the Results for 31 March 2020, cover 15 months.

db Group
COMPANY PROFILE

Sky Gourmet Malta Limited

Sky Gourmet services Air Malta - Malta's national airline - Emirates, Ryanair and other top-end carriers on a regular or ad hoc basis.
The company serves over 2 million airline meals and snacks a year.
In addition, it also provides Air Malta with commissary and transport services for on/off loading of meals. A reduction of flights and passengers as a result of the COVID-19 pandemic is anticipated in the coming 12 months, thereby negatively affecting the sector.

2020 RESULTS AND KPIS

REVENUE
(€000s)

db Group
COMPANY PROFILE

PROPERTY DEVELOPMENT

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.

2015

A block of luxury apartments in Mellieħa Bay is completed.

2017

The Group signs a contract to build the db City Centre project in St George's Bay, Paceville with an investment of €250 million.

2020

Updated plans for the db City Centre completed, focusing on preserving the historical heritage found on site and ensuring that the project is more sensitive to the environment and the communities in the vicinity.

PROPERTY DEVELOPMENT

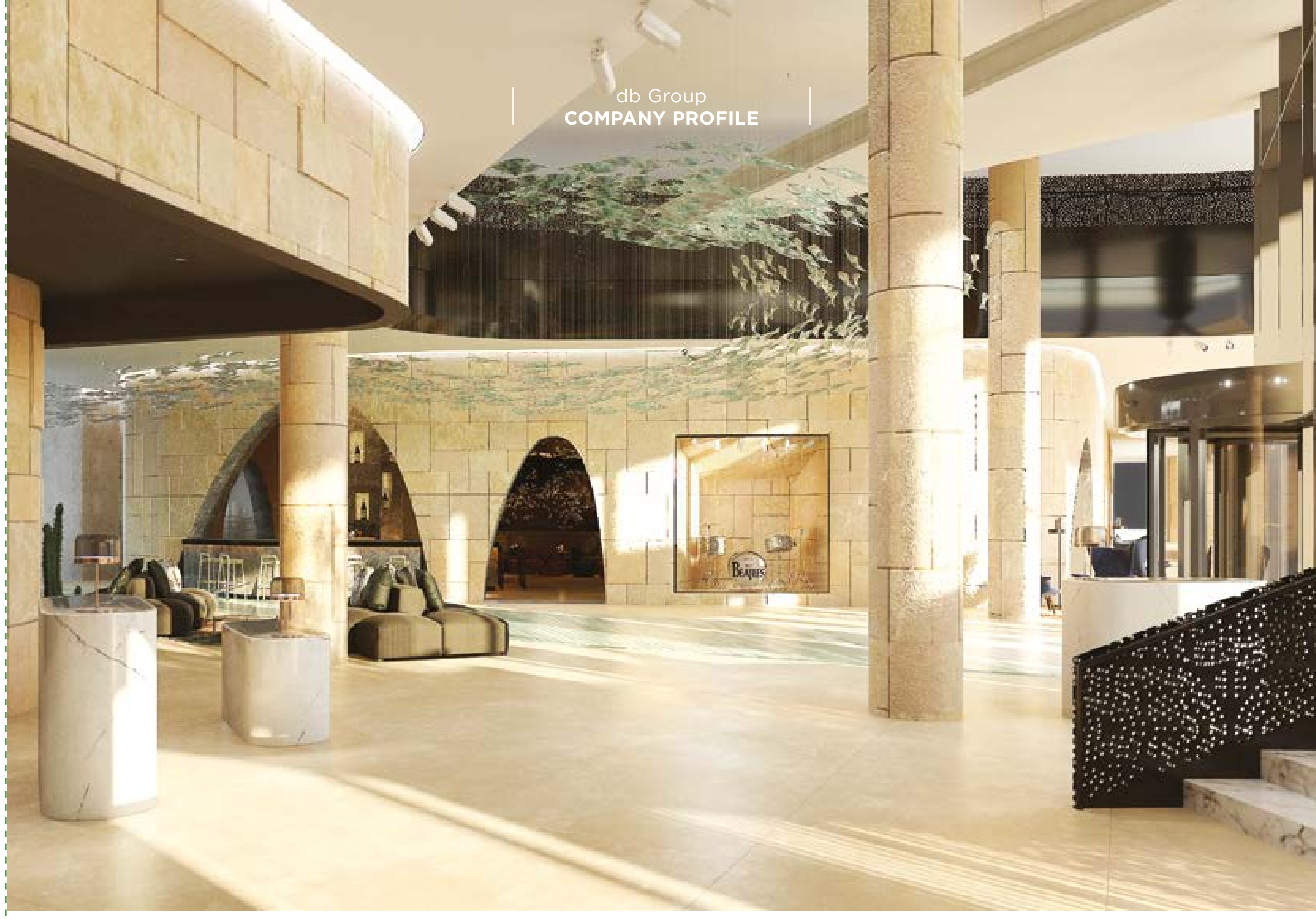
Overview of projects carried out

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

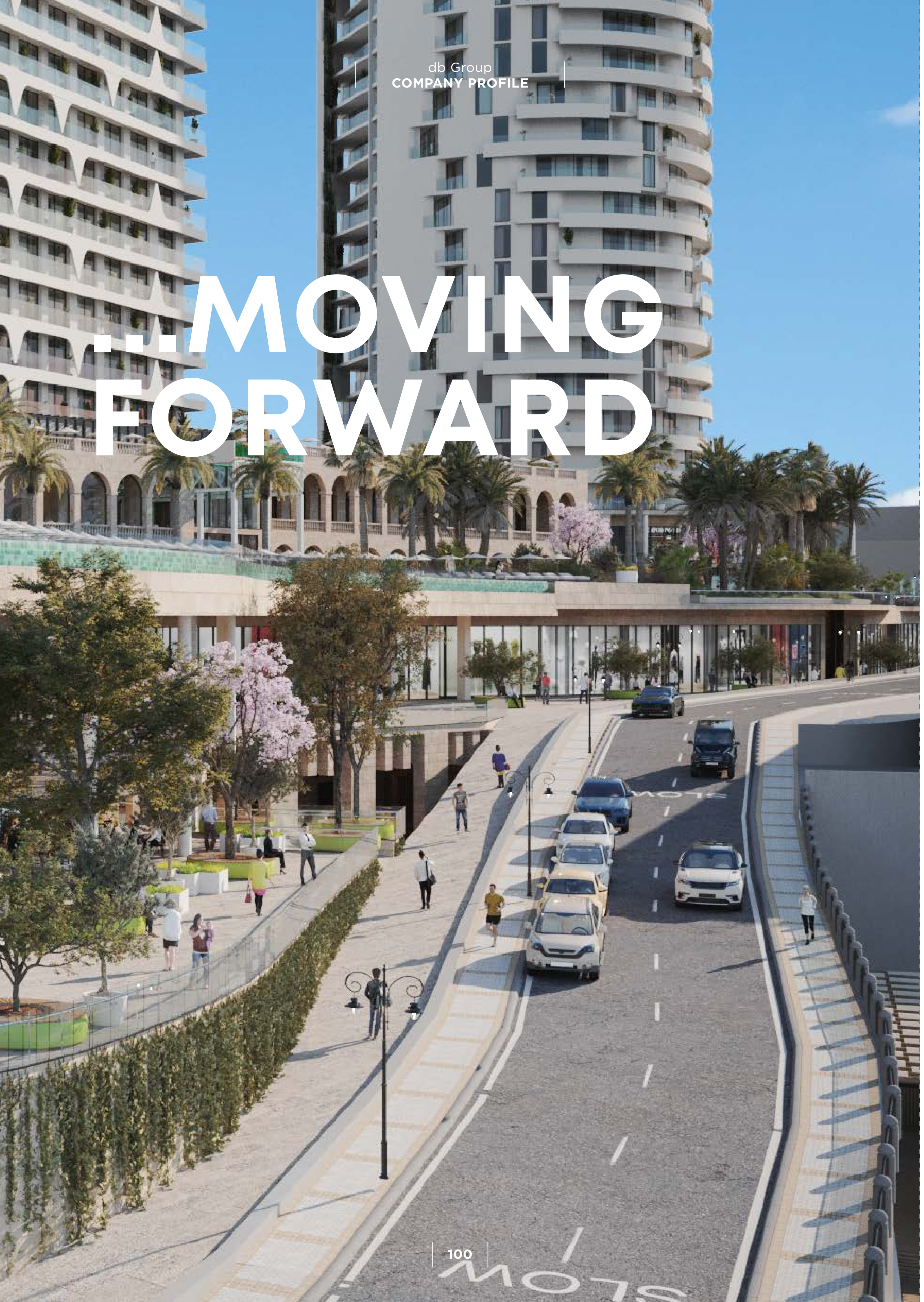
Kika Construction and Kika Developments were set up in 1991 and 1995 respectively in order to oversee the construction and upgrading of the db Seabank Resort + Spa extension projects. This latest extension project, with an investment of €40 million, was completed in a record 8-month period.

Additionally, Siar Property 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.

db Group
COMPANY PROFILE



...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 the product offer. Going forward, there are also plans to target the 5-star sector.

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. It is 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, a shopping mall, a perched rooftop bar, the largest spa in Malta, as well as a number of world-famous bars, restaurants and retail brand outlets.

Around €250 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 project will be instrumental to boost the local economy throughout the post COVID-19 recovery.

The Hard Rock International brand itself is currently present in 75 countries with around 185 cafés, 25 hotels and 12 casinos. The brand's 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 six Hard Rock Hotels, these include hotels in Amsterdam, London, Dublin, Davos, Ibiza and Tenerife.

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

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.

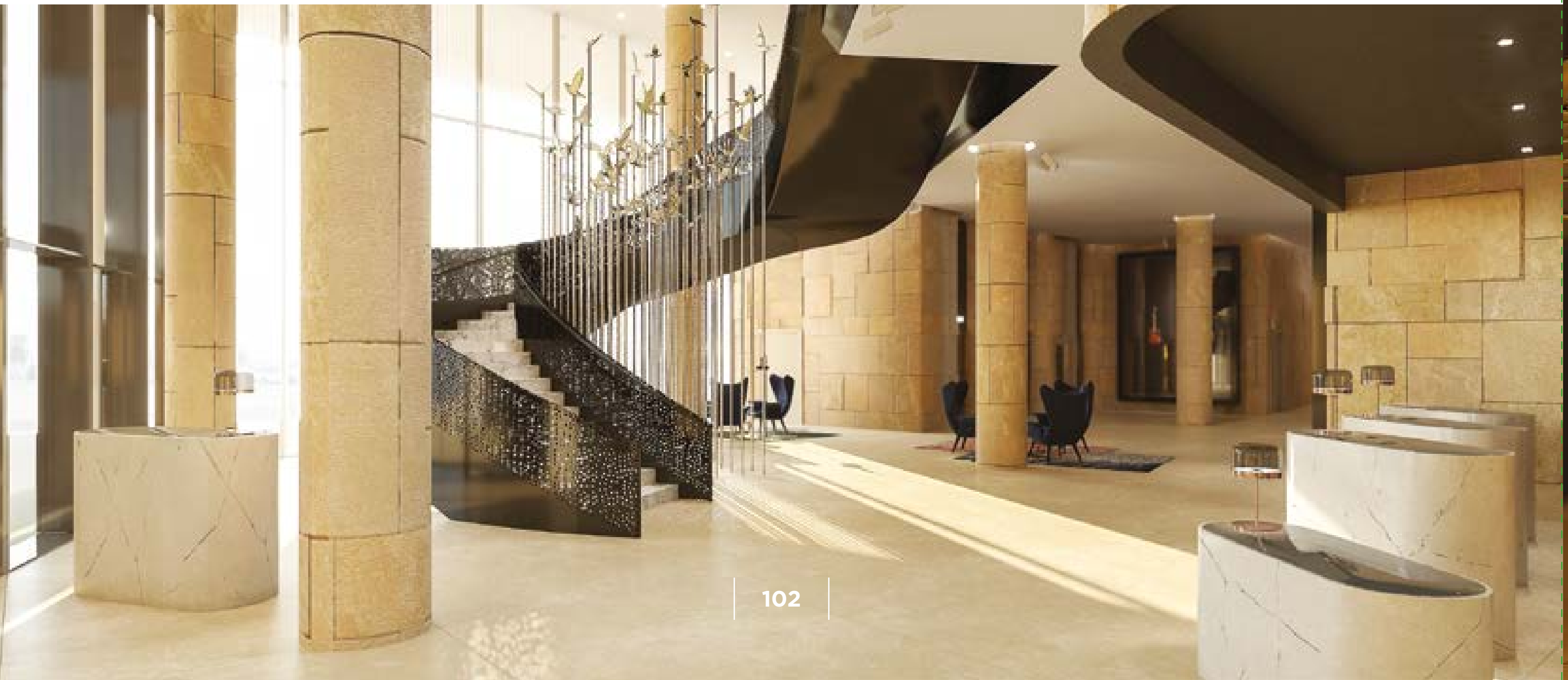
For the City Centre design, MYGG locked on to three images:
- A residential tower modelled as a green waterfall;
- A Sky Bar mimicking a flying bird; and
- A Hard Rock Hotel envisaged as a hanging garden.

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.

During the past year, updated plans were submitted to the Maltese Planning Authority to focus on the preservation of historical heritage found on site and ensuring the project is more sensitive to the environment and the surrounding community.

The rehashed plans will allow for a 40% increase in open areas. Furthermore, the historic ITS building will remain untouched. A study carried out by the Group, estimates that once complete, the db City Centre will create an additional 1,200 jobs, which are significant in a post COVID-19 reality. Furthermore, around 1,500 full timers will be required on site during the construction phase. An Economic Impact Assessment commissioned by the Group projects that the project will generate around €490 million of revenue to Government revenue in the first decade of operations.

The db Group are geared to complete construction within the shortest possible time period, with the outmost care and respect accorded to the neighbouring community. Best construction practices and sensitivity to the environment shall be built into the building process. This will ensure that any negative temporary impact on the prestigious surrounding environment and local community will be short-lived and minimal.



CORPORATE SOCIAL RESPONSIBILITY

The db Group Charity Foundation

Throughout the years, the Group has worked with many NGOs in order to help the most vulnerable in society as well as protect the environment. Yet the Group felt that it could do more. In February 2020, it proudly launched the db Group Charity Foundation which has been recognised as a voluntary organisation in Malta.

The foundation will directly assist the most vulnerable in society, allowing the db Group to give back to the community in a more effective and direct manner. The Foundation will focus on relieving poverty which is rearing its head in Malta. Latest statistics published by Eurostat indicate that around 98,000 people in Malta are at risk of poverty and social exclusion. This amounts to staggering 10% increase when compared to the 2018 levels.

Worldwide, people at risk on poverty will likely increase as a result of the economic hardships resulting from the impact of the COVID-19 pandemic. Consequently, the Foundation could not have been created at a better time.

Initially, it will focus on the needs of its historic and grassroots community, that of Mellieħa, and from there develop a strategy to assess how best to assist the wider community.

The db Group is a people-centred organisation, placing 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 a total of 3,300 people.

OUR LOCALITIES AND 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 northern localities. The Group remains close to these communities by regularly participating in and supporting cultural, charitable and artistic activities.

Our community outreach programmes evolved and grew in parallel with the Group's growth. Today we actively participate in and contribute to activities and initiatives across the island and on a national level.

Music events and village feasts are an integral part of Maltese culture. Over the years, the Group supported the Hard Rock Cafe Malta Mellieħa Fireworks Festival, the Hard Rock Cafe Malta Beland Music Festival in Żejtun, and the Ruslana Live event.

Hard Rock Cafe Malta 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, an organisation of volunteers who dress up as clowns to entertain children who are recovering in hospital. The funds were used to buy musical instruments for the Dr Klowns to continue spreading joy through music in hearts of these children.

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

The Group has 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 Ethopia, a facility for disabled children. The home houses dormitories, kitchen and dining facilities, a chapel, offices, a convent, a physiotherapy unit, a workshop and operations and recreation centres.

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 which is re-used in second-class applications, such as flushing toilets and landscaping. With this plant alone, the Group saves over 5.5 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 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 other measures).

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.

db Group
COMPANY PROFILE

CORPORATE GOVERNANCE

The Audit Committee

In April 2017, db Group issued a €65 million bond through SD Finance plc, its finance vehicle. This bond issue was oversubscribed by the public. The Guarantor of the bond, SD Holdings Limited, is not a publicly 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, the management, and the external auditors. The latter are invited to attend Audit Committee meetings.

The Audit Committee reports directly to the Board of Directors and its terms of reference 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 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 and three independent 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 independent 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, namely, Ms Victoria Debono, Mr Vincent Degiorgio, Mr Jesmond Vella, Mr Silvio Debono, Mr Robert Debono and Mr Arthur Gauci.

SD HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements

31 March 2020

DIRECTOR'S REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2020.

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 Buġibba. It also operates and owns the restaurant amenities at the Tunny Net Complex (now restyled as Adeera) and operates outlets under the *Hard Rock Café* franchise and the *Starbucks* 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 €59.3 million resulting in a year on year increase of €3.2 million (+5.7%). 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 €27.6 million as against €26.4 million registered for 2019 (+4.5%). These results further consolidate the margin of profit or return on turnover generated at 47%, showing the same result on the 2019 comparative ratio also at 47%. 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, food and beverage and retailing activities. These results were achieved despite two significant occurrences which would have otherwise resulted in even better results, namely, the effect of the COVID-19 pandemic during the course of the last month of reporting and the one off bad debt write off following the bankruptcy of Thomas Cook in the UK, which together impacted the overall results by circa €1.3 million in EBIDTA.

Notwithstanding, this performance led to an improvement in net profit of €1.5 million, factoring in at €12.2 million against comparative for 2019 of €10.7 million. The overall hotel portfolio occupancy maintained strong levels at an annualised level of 81%. These are numbers which continued to help strengthened the Group's overall position. However, it is expected that financial year 2021 will present its challenges as a result of the COVID-19 pandemic and that these results will be hard to repeat at least in the immediate future.

The food, beverage and merchandise components continue to factor in positive growth trends at 24%. This was achieved on a two-tier level - organic growth by the current units and secondly as a result of the launching onto the market of new units, particularly the Starbucks units and the AKI Japanese restaurant in Valletta.

DIRECTOR'S REPORT continued

Review of business continued

The Group's balance sheet value now factors in at €324 million as a against a comparative of €316 million in 2019. The increase from prior year is primarily emanating from an increase in cash and cash equivalents of €14.8 million. A decrease in current trade and other receivables of € 6.5 million was partly off-set against a decrease in current trade and other payables of €2.7 million. The Group's equity base saw it increasing further by €5 million despite a downward valuation in its property portfolio value of €7.3 million. As a result, the Group's gearing ratio factored in at 25.9% as against 32% for 2019.

The interest rate cover now stands at 7 multiple against a 9 multiple in the prior year mainly as a result of the imputed interest component on deferred income arising on long-term rights of use of sales.

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 2021

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

As a result of the pandemic and restrictions imposed by the Health Authorities, the hotels with catering establishments operated by the Group experienced a complete shutdown to its operations with effect from the third week of March 2020. Since then, the pandemic has been brought under control with the Authorities relaxing the measures and gradually allowing the re-opening of catering establishments and eventually of hotels, and followed by the re-opening of the airport to commercial flights on 1 July 2020. The Group has taken significant cost-cutting measures to reduce its cost base. All non-essential service contracts and retainers were either terminated or suspended, others were re-negotiated, all its staff put on a reduced working week and all in-house plant and machinery put on shutdown mode. The Group is also in receipt of various COVID-19 business assistance programmes issued by the Government, with the aim to mitigate against the adverse financial impact of this pandemic, and to safeguard its future wellbeing and that of its employees and other stakeholders.

The Group has prepared projections for the coming 12 months and beyond, based on historical financial information and forecasts, but factoring in the mayhem created by the COVID-19 pandemic. The Group has over the past years accumulated a substantial cash reserve of over €24 million. The Group also secured a €10 million loan under the MDB COVID-19 Guarantee scheme to mitigate against its working capital needs and at the same time cushioning the effect of any prolongment in its receivables cycle.

DIRECTOR'S REPORT continued

Outlook for the financial year ending 2021 - continued

We are encouraged however to note that as at the date that these financial statements have been authorised for issue, all the business units of the Group are back in business and fully operational within the restrictions and guidelines issued by the Health Authorities. Business is starting to pick up again although admittedly we are nowhere close to pre-COVID-19 levels. However, we are positive that this upward surge will persist and eventually gain traction. Suffice to say that all employees are expected to be back on a 40-hour working week by 1 August 2020.

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

Amid the disruptions faced by the Group as noted above, SD Finance p.l.c. (the Issuer of the bonds) still paid its bondholders the full interest that was due in April 2020. Furthermore, it should be noted that in view of the measures undertaken by the Group, the projections outlined above and the cash reserves accumulated by the Group in the past years, the directors are of the opinion that the Issuer will have the necessary funds to finance the interest falling due in April 2021 and going forward.

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.

Results and dividends

The consolidated financial results are set out on page 122. 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 and the Company amounted to €46,326,706 (2019: €33,945,259) and €16,963,869 (2019: Nil).

DIRECTOR'S REPORT continued

Directors

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

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

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

Statement of directors' responsibilities for the financial statements

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

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

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

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

The financial statements of SD Holdings Limited for the year ended 31 March 2020 are included in the Annual Report and Consolidated Financial Statements 2020, 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.

DIRECTOR'S REPORT continued

Auditors

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

On behalf of the board

SILVIO DEBONO
Director

ARTHUR GAUCI
Director

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

31 July 2020

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 2020, 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 122 to 129, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2020;
- 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.

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Emphasis of matter

We draw attention to Note 4 to these financial statements that explains the impact of COVID-19 on the Group's property valuations as at 31 March 2020 and the related uncertainties in this regard. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

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.

SD Holdings Limited
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

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.

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.

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Responsibilities of the directors for the financial statements - continued

- 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

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

PricewaterhouseCoopers
78
Zone 5, Business District
Qormi
Malta

Stefan Bonello
Partner

31 July 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**193,547,993**	205,207,368	**-**	-
Investment property	5	**74,898,044**	71,553,630	**-**	-
Intangible assets	6	**909,127**	287,608	**-**	-
Investments in subsidiaries	7	**-**	-	**36,512,741**	35,912,741
Investments in associates	8	**9,368,405**	7,757,226	**5,460**	5,400
Right-of-use assets	9	**6,150,948**	-	**-**	-
Deferred tax assets	10	**1,392,474**	1,363,394	**-**	-
Trade and other receivables	11	**100,435**	75,000	**17,000,000**	-
Total non-current assets		**286,367,426**	286,244,226	**53,518,201**	35,918,141
Current assets					
Inventories	12	**1,764,184**	1,219,608	**-**	-
Trade and other receivables	11	**10,524,768**	17,053,727	**2,099,864**	2,239,029
Cash and cash equivalents	13	**25,770,964**	11,004,457	**20,344,084**	4,450,162
Total current assets		**38,059,916**	29,277,792	**22,443,948**	6,689,191
Total assets		**324,427,342**	315,522,018	**75,962,149**	42,607,332

STATEMENTS OF FINANCIAL POSITION continued

AS AT 31 MARCH

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Notes	**€**	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Revaluation reserve	15	**74,354,642**	81,706,384	**-**	-
Other reserves	17	**12,930,164**	12,930,164	**-**	-
Retained earnings/(accumulated losses)		**46,326,706**	33,945,259	**16,940,588**	(41,581)
Total equity		**137,611,512**	132,581,807	**20,940,588**	3,958,419
Non-current liabilities					
Trade and other payables	17	**61,378,708**	59,932,547	**-**	-
Borrowings	18	**71,615,862**	72,535,616	**1,488,101**	1,488,101
Deferred Government grants	19	**4,820**	9,641	**-**	-
Deferred tax liabilities	10	**20,154,800**	22,258,251	**-**	-
Lease liabilities	20	**5,751,061**	-	**-**	-
Total non-current liabilities		**158,905,251**	154,736,055	**1,488,101**	1,488,101
Current liabilities					
Trade and other payables	17	**23,357,836**	26,042,436	**53,530,859**	37,160,812
Borrowings	18	**2,191,860**	763,097	**-**	-
Deferred Government grants	19	**4,821**	4,821	**-**	-
Lease liabilities	20	**540,924**	-	**-**	-
Current tax liabilities		**1,815,138**	1,393,802	**2,601**	-
Total current liabilities		**27,910,579**	28,204,156	**53,533,460**	37,160,812
Total liabilities		**186,815,830**	182,940,211	**57,021,561**	38,648,913
Total equity and liabilities		**324,427,342**	315,522,018	**75,962,149**	42,607,332

The notes on pages 130 to 184 are an integral part of these financial statements.

The financial statements on pages 122 to 184 were authorised for issue and signed by the board of directors on 31 July 2020 and were signed on its behalf by:

SILVIO DEBONO
Director

ARTHUR GAUCI
Director

INCOME STATEMENTS

	Notes	GROUP 2020 €	GROUP 2019 €	COMPANY 2020 €	COMPANY 2019 €
Revenue	21	**59,323,674**	56,132,865	**-**	-
Cost of sales	22	**(40,267,291)**	(35,542,356)	**-**	-
Gross profit		**19,056,383**	20,590,509	**-**	-
Selling expenses	22	**(300,831)**	(401,542)	**-**	-
Administrative expenses	22	**(4,002,950)**	(4,199,076)	**(13,216)**	(17,750)
Movement in credit loss allowances		**264,914**	1,085,091	**-**	-
Gain on disposal of intellectual property		**-**	-	**16,990,000**	-
Other operating income	24	**1,432,104**	360,989	**-**	14,457
Operating profit/(loss)		**16,449,620**	17,435,971	**16,976,784**	(3,293)
Finance income	25	**-**	14,524	**77,742**	68,344
Finance costs	25	**(3,742,075)**	(2,943,944)	**(69,556)**	(68,344)
Share of results of associates	8	**1,911,119**	1,588,966	**-**	-
Profit/(loss) before tax		**14,618,664**	16,095,517	**16,984,970**	(3,293)
Tax expense	26	**(2,438,959)**	(5,402,891)	**(2,801)**	-
Profit/(loss) for the year		**12,179,705**	10,692,626	**16,982,169**	(3,293)

YEAR ENDED 31 MARCH

The notes on pages 130 to 184 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH

	Notes	GROUP 2020 €	GROUP 2019 €	COMPANY 2020 €	COMPANY 2019 €
Profit/(loss) for the year		**12,179,705**	10,692,626	**16,982,169**	(3,293)
Other comprehensive income:					
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	15	**-**	59,120,619	**-**	-
Reversal of revaluation surplus on land and buildings arising during the year, net of deferred tax	15	**(7,150,000)**	-	**-**	-
Total comprehensive income for the year		**5,029,705**	69,813,245	**16,982,169**	(3,293)

The notes on pages 130 to 184 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	ATTRIBUTABLE TO OWNERS OF THE PARENT Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 April 2018		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	15	-	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

GROUP

	Notes	ATTRIBUTABLE TO OWNERS OF THE PARENT Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 April 2019		4,000,000	81,706,384	12,930,164	33,945,259	132,581,807
Comprehensive income						
Profit for the year		-	-	-	12,179,709	12,179,709
Other comprehensive income:						
Reversal of revaluation surplus on land and buildings arising during the year, net of deferred tax	15	-	(7,150,000)	-	-	(7,150,000)
Depreciation transfer through asset use, net of deferred tax		-	(201,742)	-	201,742	-
Total other comprehensive income		-	(7,351,742)	-	201,742	(7,150,000)
Total comprehensive income		-	(7,351,742)	-	12,381,447	5,029,705
Balance at 31 March 2020		**4,000,000**	**74,354,642**	**12,930,164**	**46,326,706**	**137,611,512**

STATEMENTS OF CHANGES IN EQUITY continued

COMPANY

	Share capital	Retained earnings/ (Accumulated losses)	Total
	€	€	€
Balance at 1 April 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
Comprehensive income			
Profit for the year			
- total comprehensive income	**-**	**16,982,169**	**16,982,169**
Balance at 31 March 2020	**4,000,000**	**16,940,588**	**20,940,588**

The notes on pages 130 to 184 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
		€	€	€	€
Cash flows from operating activities					
Cash generated from operations	28	**28,706,783**	24,809,203	**16,485,996**	2,510,913
Net interest (paid)/received		**(3,745,507)**	(2,825,898)	**8,186**	-
Tax paid		**(300,151)**	(362,616)	**(200)**	-
Net cash generated from operating activities		**24,661,125**	21,620,689	**16,485,996**	2,510,913
Cash flows from investing activities					
Payments for property, plant and equipment		**(7,891,790)**	(6,244,114)	**-**	-
Proceeds from disposal of property, plant and equipment		**4,258**	3,500	**-**	-
Payments for investment property and related property development expenditure		**(1,041,331)**	(13,375,623)	**-**	-
Payments for intangible assets		**(890,478)**	(43,365)	**-**	-
Consideration paid for investments in subsidiaries and associates		**(60)**	(4,500)	**(600,060)**	(16,486)
Divided received from associate		**300,000**	-	**-**	-
Net cash used in investing activities		**(9,519,401)**	(19,664,102)	**(600,060)**	(16,486)
Cash flows from financing activities					
Proceeds from bank borrowings	18	**1,079,608**	-	**-**	-
Repayments of bank borrowings	18	**(1,750,950)**	-	**-**	-
Principal elements of lease payments		**(518,830)**	-	**-**	-
Net cash used in financing activities		**(1,190,172)**	-	**-**	-
Net movements in cash and cash equivalents		**13,951,552**	1,956,587	**15,893,922**	2,494,427
Cash and cash equivalents at beginning of year		**10,409,280**	8,452,693	**4,450,162**	1,955,735
Cash and cash equivalents at end of year	13	**24,360,832**	10,409,280	**20,344,084**	4,450,162

The notes on pages 130 to 184 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

In view of the current situation brought about by the COVID-19 pandemic, the Group has prepared projections for the coming 12 months and beyond, based on historical financial information and forecasts, but factoring in the mayhem created by the COVID-19 pandemic. These forecasts project a positive cash flow for the Group. The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €24.4 million and also secured a €10 million loan under the MDB COVID-19 Guarantee scheme to mitigate against its working capital needs and at the same time cushioning the effect of any prolongment in its receivables cycle.

Given the Group's strong cash reserve and a solid equity position resulting in a gearing ratio of 25.9% as at 31 March 2020, the directors have concluded that the Group will be able to meet its commitments both financial and otherwise. Consequently, the Group's obligations to bondholders should be met in full as well, whereby the payment of bond interest falling due in April 2020 has been settled already.

On this basis, the directors have assessed that the Group is expected to have the necessary funds to finance its operations and commitments towards employees, creditors, banks and bondholders. Accordingly, the board continues to adopt the going concern basis in preparing the Group's financial statements and considers that there are no material uncertainties which may cast doubt about the ability of the Group to continue operating as a going concern.

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

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

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

During the current financial year, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 April 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Company's accounting policies impacting the Company's financial performance and position. With the exception of IFRS 16, 'Leases', no other standards had any impact on the Group's accounting policies.

1. Summary of significant accounting policies continued

1.1 Basis of preparation continued

IFRS 16, 'Leases'

IFRS 16, 'Leases' establishes the principles for the recognition, measurement, presentation and disclosure of leases. The new model removes the distinction between operating and finance leases for lessees, and requires the lessee 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 leases and leases of low-value assets, for which entities may apply an exemption from the general requirement. Unless the lessee applies one of these exemptions, IFRS 16 also influences the income statement as a result of the replacement of operating lease rental expenditure by an interest cost on the lease liability and, unless an alternative measurement model is applied to subsequently measure the right-of-use asset, by amortisation of the right-of-use asset. The accounting under the new model remains substantially the same for lessors; with the exception of the definition of lease and subleases and the accounting for sale and leaseback transactions.

The Group has adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to the use of immovable property and a number of motor vehicles; which leases are deemed to be within scope of IFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease arrangement as of 1 April 2019. The discount rate applied to the lease liabilities on 1 April 2019 was 5%.

Adjustment recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets – increase by €3,411,508
- Lease liabilities – increase by €3,411,508

1. Summary of significant accounting policies continued

1.1 Basis of preparation continued

Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability and relate to the following types of assets:

	As at 1 April 2019
	€
Properties	3,316,243
Motor vehicles	95,265
Total right-of-use assets	3,411,508

Measurement of lease liabilities

	2019
	€
Operating lease commitments as at 31 March 2019	6,031,119
Impact of discounting using the incremental borrowing rate as at 1 April 2019	(2,619,611)
Lease liabilities recognised as at 1 April 2019	3,411,508
Of which are:	541,086
Current lease liabilities	2,870,422
Non-current lease liabilities	3,411,508

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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1. Summary of significant accounting policies continued

1.1 Basis of preparation continued

Amounts recognised in profit or loss

The income statement reflects the following amounts relating to leases:

	2020
	€
Amortisation charge of right-of-use assets	**463,609**
Interest expense (included in finance costs)	**196,258**
Variable lease payments (included in administrative expenses)	**315,472**
	975,339

Operating lease charges to be reflected within profit and loss, utilising the accounting principles of IAS 17 'Leases' had IFRS 16 not been adopted, during the period from 1 April 2019 to 31 March 2020 would have amounted to €518,830. Hence, EBITDA for the year ended 31 March 2020 has been impacted favourably by €518,830, in view of the adoption of the requirements of IFRS 16.

Therefore, the impact on net profit before tax for the year ended 31 March 2020 had IFRS 16 not been adopted, would have been favourably impacted as per below:

	2020
	€
Add: Depreciation charge of right-of-use assets under IFRS 16	**463,609**
Add: Interest expense (included in finance cost) under IFRS 16	**196,258**
Less: Lease charge under IAS 17	**(518,830)**
	141,037

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 2019. 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

1.2 Consolidation

(a) Subsidiaries

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies continued

1.2 Consolidation continued

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (refer to accounting policy Note 1.6[a] – Intangible assets).

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

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

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Summary of significant accounting policies continued

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost (Note 1.23).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets to their residual values over their estimated useful lives, as follows:

	%
Buildings	1 - 3
Computer equipment	20 - 33.33
Furniture, fixtures and fittings	6.67 - 10
Motor vehicles	20
Plant, machinery and operational equipment	6.67 - 15

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

1.8 Financial assets

Classification

The Group classifies its financial assets 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

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 is 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.

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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

Accounting policy applied with effect from 1 April 2019

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. 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. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group using residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lessees, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, term and security.

Lease payments are allocated between principal and finance cost. The finance cost is computed so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance costs are recognised in profit or loss over the lease period.

Right-of-use assets are initially measured at 'cost' which, where applicable, comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

1. Summary of significant accounting policies continued

1.22 Operating and finance leases continued

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

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, except as highlighted below. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recognised in profit or loss.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Accounting policy applied up to 31 March 2019

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.

2. Financial risk management

2.1 Financial risk factors

(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 the Group'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 18). The Company's fixed interest instrument also comprise the loan from subsidiary (Note 18). 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 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 18) which expose the Group to cash flow interest rate risk. 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	**2020**	2019	**2020**	2019
		€	€	**€**	€
Financial assets measured at amortised cost:					
Trade and other receivables	11	**7,191,350**	8,548,142	**19,096,337**	2,235,473
Cash and cash equivalents	13	**24,360,832**	10,409,280	**20,344,084**	4,450,162
		31,552,182	18,957,422	**39,440,421**	6,685,635

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 advance payments to suppliers, 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 2020 and 2019 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 2020						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	-
Gross carrying amount (€)	-	713,524	1,086,110	544,065	1,868,596	4,212,295
Loss allowance (€)	-	24,319	48,677	41,367	294,358	408,721
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	1,444,051	4,824,580
Loss allowance (€)	29,703	29,256	20,457	16,389	577,830	673,635

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 separately in profit or loss.

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 2020 and 2019, 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 11). 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 as at 31 March 2020 and 2019.

The Company's non-current amounts owed by subsidiary have been earmarked as additional capital required by the subsidiary, the terms of which will be concluded in the foreseeable future. On this basis, no credit risk has been contemplated.

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 18), other interest-bearing borrowings (Note 18), lease liabilities (Note 20) and trade and other payables (Note 17). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the 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 18) 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.

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2. Financial risk management continued

2.1 Financial risk factors continued

The following table analyses the Group's and the Company's financial liabilities 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 year	Over 5 years	Total
	€	€	€	€	€
GROUP					
At 31 March 2020					
Bonds	**2,827,500**	**2,827,500**	**8,482,500**	**73,482,500**	**87,620,000**
Bank borrowings	**2,513,800**	**2,075,004**	**4,396,248**	**1,519,435**	**10,504,487**
Amounts due to Government in relation to purchase of land	**1,429,571**	**2,991,080**	**7,544,670**	**164,112,856**	**176,078,177**
Lease liabilities	**364,891**	**697,575**	**1,480,346**	**4,161,060**	**6,703,875**
Trade and other payables	**17,681,273**	**-**	**-**	**-**	**17,681,273**
At 31 March 2019					
Bonds	2,827,500	2,827,500	8,482,500	76,310,000	90,447,500
Bank borrowings	1,097,028	885,735	2,524,346	7,550,895	12,058,004
Amounts 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	16,713,759	-	-	-	16,713,759
COMPANY					
At 31 March 2020					
Loan advanced from subsidiary	**-**	**67,709**	**203,126**	**1,691,227**	**1,962,062**
Trade and other payables	**53,488,359**	**-**	**-**	**-**	**53,488,359**
At 31 March 2019					
Loan advanced from subsidiary	-	67,709	203,126	1,758,935	2,029,770
Trade and other payables	37,160,812	-	-	-	37,160,812

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	
	2020	2019
	€	€
Total external borrowings	**73,807,722**	73,298,713
Less: cash at bank and in hand	**(25,770,964)**	(11,004,457)
Net debt	**48,036,758**	62,294,256
Equity – as shown in the consolidated statement of financial position	**137,611,512**	132,581,807
Total capital	**185,648,270**	194,876,063
Net debt/total capital	**25.9%**	32%

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 2020 and 2019 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 and the fair value of the Company's non-current receivables as at the reporting date is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 March 2020, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the Group's internal borrowing rate since the date of transition to IFRS 16. 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 18 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	Plant, machinery & operational equipment	Motor vehicles	Total
	€	€	€	€	€	€	€
At 31 March 2018							
Cost or valuation	90,840,177	2,299,930	1,007,305	50,228,622	15,720,873	686,260	160,783,167
Accumulated depreciation	(392,847)	-	(983,306)	(19,561,474)	(6,552,399)	(445,177)	(27,935,203)
Net book amount	90,447,330	2,299,930	23,999	30,667,148	9,168,474	241,083	132,847,964
Year ended 31 March 2019							
Opening net book amount	90,447,330	2,299,930	23,999	30,667,148	9,168,474	241,083	132,847,964
Additions	733,158	3,327,331	44,005	1,193,422	75,819	38,048	5,411,783
Revaluation surplus (Note 15)	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)	(755,750)	(45,870)	(1,537,344)
Depreciation charge	(601,560)	-	(50,239)	(5,057,331)	(1,368,667)	(88,875)	(7,166,672)
Depreciation release on disposals	-	-	41,469	694,255	755,750	41,870	1,533,344
Closing net book amount	**165,425,139**	**1,558,443**	**76,697**	**28,116,970**	**9,843,863**	**186,256**	**205,207,368**
At 31 March 2019							
Cost or valuation	166,419,546	1,558,443	1,068,773	52,041,520	17,009,179	678,438	238,775,899
Accumulated depreciation	(994,407)	-	(992,076)	(23,924,550)	(7,165,316)	(492,182)	(33,568,531)
Net book amount	**165,425,139**	**1,558,443**	**76,697**	**28,116,970**	**9,843,863**	**186,256**	**205,207,368**
Year ended 31 March 2020							
Opening net book amount	165,425,139	1,558,443	76,697	28,116,970	9,843,863	186,256	205,207,368
Additions	467,582	4,533,267	351,791	1,473,483	948,573	54,058	7,828,754
Commissioned assets	948,619	(4,735,626)	-	3,603,189	183,818	-	-
Reversal of revaluation surplus (Note 14)	(11,000,000)	-	-	-	-	-	(11,000,000)
Disposals	-	-	-	-	(17,570)	-	(17,570)
Depreciation charge	(921,919)	-	(96,952)	(5,328,275)	(2,023,386)	(101,321)	(8,471,853)
Depreciation release on disposals	-	-	-	-	1,294	-	1,294
Closing net book amount	**154,919,421**	**1,356,084**	**331,536**	**27,865,367**	**8,936,592**	**138,993**	**193,547,993**
At 31 March 2020							
Cost or valuation	156,835,747	1,356,084	1,420,564	57,118,192	18,124,000	732,496	235,587,083
Accumulated depreciation	(1,916,326)	-	(1,089,028)	(29,252,825)	(9,187,408)	(593,503)	(42,039,090)
Net book amount	**154,919,421**	**1,356,084**	**331,536**	**27,865,367**	**8,936,592**	**138,993**	**193,547,993**

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 18).

Fair valuation of property

The Group's land and buildings, within property, plant and equipment were last revalued by an independent professionally qualified valuer on 31 March 2019. The book value of the property had been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 15). On 31 March 2020, the directors have reassessed the property's valuation in view of the COVID-19 pandemic and resulting restrictions on the hospitality industry, as mandated by the Health Authorities, together with the closure of ports, which have significantly impacted the Company's operations. The 2020 valuation reassessment was primarily based on revised projected income streams which take into consideration a lower business activity in the next few years, until reaching the 2019 level of business and assumed normality by 2024. The assumptions resulted in a revised revaluation surplus that is €11 million lower than that recognised in 2019. This difference was accordingly adjusted and debited to the revaluation reserve, net of applicable deferred income taxes.

In the current scenario, making financial projections is particularly difficult, in view of the existing uncertainty surrounding the duration of the pandemic, the confidence of the people to get back the trust to travel and/or stay at a hotel, together with any restrictions that may be imposed by Authorities depending on how health matters unfold. The hospitality and leisure operations were one of the hardest hit sectors of the economy; with the Group's hotels closed for around three months as imposed by the Health Authorities. At the date that these financial statements have been authorised for issue, the Group hotels have gradually reopened (since June 2020). In the first year of the projections (for the financial year ending 31 March 2021) an EBITDA in the range of 16% to 20% of a stable year level was assumed and thereafter, the business activity was extended gradually until reaching the stable year level over the next 4 years (refer to specific details below).

Although the projected cashflows have been prepared in the prevailing economic uncertainties, the Board is of the opinion that the principal assumptions used reflect prudent scenarios as the Company and the world within which it operates move gradually back to a new normal lifestyle.

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.

4. Property, plant and equipment continued

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.

Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by third party qualified valuers. The Group's and Company's policy is to revalue land and buildings at least every three years. 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 Group's Board of Directors review the valuation report and then consider it as part of its overall responsibilities. At the end of a reporting period, when an external valuation is not performed, the directors assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment of the Group's projected income streams.

Valuation techniques

The external valuation of the Level 3 property as at 31 March 2019 has been performed using the discounted cashflow approach. Similarly, the assessment performed by the directors as at 31 March 2020 has also been perfomed using the discounted cashflow approach, as discussed earlier. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuation has been performed using unobservable inputs. The significant inputs to the approach 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 2020

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)	**187,500**	DCF approach	EBITDA (aggregate for both hotels)	€4,109,000 in 2021 increasing gradually until reaching €20,405,000 in 2024
			Growth rate	2% after 2024
			Discount rate	7.6% (post-tax)

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)	**199,500**	DCF approach	EBITDA	€8,900,000 to €11,300,000
			Growth rate	2% per annum
			Discount rate	8.0% to 8.5% (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 2020 and 2019, the directors consider the current use of the properties to be equivalent to the highest and best use.

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

	2020	2019
	€	€
Cost	**70,905,189**	69,488,988
Accumulated depreciation	**(5,148,898)**	(4,226,979)
Net book amount	**65,756,291**	65,262,009

5. Investment property

	GROUP	
	2020	2019
	€	€
Year ended 31 March		
Opening cost and carrying amount	**71,553,630**	65,500,697
Additions resulting from subsequent expenditure	**3,344,414**	6,052,933
Closing cost and carrying amount	**74,898,044**	71,553,630

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 borrowing costs of €1,737,997 (2019: €1,727,714) mainly representing the imputed interest component on the amounts due to the Government (refer to Note 18) and other capitalised interest costs of €282,543 (2019: €412,112). A weighted average capitalisation rate of 3.5% (2019: 3.5%) was utilised in this respect.

As at 31 March 2020 and 2019, following an assessment by the directors, the fair value of the property is deemed to fairly approximate its carrying amount.

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6. Intangible assets

	GROUP	
	2020	2019
Franchise license rights	**€**	€
Year ended 31 March		
Opening net book amount	**287,605**	486,060
Additions	**890,478**	43,368
Amortisation charge	**(268,956)**	(241,820)
Closing net book amount	**909,127**	287,608
At 31 March		
Cost	**3,899,112**	3,008,634
Accumulated amortisation	**(2,989,985)**	(2,721,026)
Net book amount	**909,127**	287,608

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	
	2020	2019
	€	€
Year ended 31 March		
Opening cost and carrying amount	**35,912,741**	17,022,572
Additions	**600,000**	11,986
Capital contribution for the year	**-**	18,878,183
Closing cost and carrying amount	**36,512,741**	35,912,741

Additions in the current financial year represent an increase in share capital of 598,800 newly issued shares of €1 each were allotted to the company by Debar Limited. An additional investment of €1,200 in a newly incorporated subsidiary, DB Group Franchising Limited, was made during the current financial year.

DB Group Franchising Limited was set up to be the intellectual property arm of the db Group, with its primary object being that of acquiring the current intellectual property of the db Group and actively exploiting such intellectual property.

The capital contribution in the preceding financial year represents a contractual arrangement entered into between the Parent Company and DB San Gorg Property Limited such that advances receivable by the parent are converted to additional capital for the subsidiary.

7. Investments in subsidiaries *continued*

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 2020	2019
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%
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	100%

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7. Investments in subsidiaries *continued*

	Registered office	Class of shares held	Percentages of shares held 2020	2019
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	**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%
DB Group Franchising	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	-

The shareholdings in DB San Gorg Property Limited, SD Finance plc, Debar Limited, DB Group Franchising Limited, 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		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Year ended 31 March				
Opening carrying amount	**7,757,226**	6,163,760	**5,400**	900
Additions	**60**	4,500	**60**	4,500
Share of results	**1,911,119**	1,588,966	**-**	-
Dividend received	**(300,000)**	-	**-**	-
Closing carrying amount	**9,368,405**	7,757,226	**5,460**	5,400
At 31 March				
Cost	**1,680,323**	1,680,263	**5,460**	5,400
Share of results and reserves	**7,688,082**	6,076,963	**-**	-
Closing carrying amount	**9,368,405**	7,757,226	**5,460**	5,400

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 2020	2019
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%

8. Investments in associates continued

	Registered office	Class of shares held	Percentages of shares held 2020	2019
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%**	45%
JSSR Turnkey Projects Limited	The Food Factory BLB014A, Bulebel Industrial Estate, Zejtun, Malta	Ordinary shares	**25%**	-

The shareholdings in DP Road Construction Limited, DB Gauci Shopping Mall Limited and JSSR Turnkey Projects Limited are held directly by SD Holdings Limited, whilst all the other investments are held through Seabank Hotel and Catering Limited.

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 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.

During the current financial year, Malta Healthcare Caterers Limited changed its statutory reference date from 31 December to 31 March to align its financial reporting period to that of the SD Holdings Limited. With respect to the preceding financial year, the financial information made available to shareholders related to the financial year ended 31 December 2018. Accordingly, the consolidated financial statements of Malta Healthcare Caterers Limited used in applying the equity method were attributable to the financial year ended 31 December 2018, which year end was different from that of the reporting entity.

8. Investments in associates continued

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 March 2020	As at 31 December 2018	**As at 31 March 2020**	As at 31 March 2019
	€	€	**€**	€
Non-current assets	**29,006,987**	7,967,870	**163,207**	326,562
Current assets	**40,585,544**	30,544,541	**3,909,498**	3,812,269
Non-current liabilities	**(23,290,968)**	(4,254,341)	**(24,577)**	(52,699)
Current liabilities	**(34,087,610)**	(25,560,419)	**(2,592,549)**	(2,084,997)
Net assets	**12,213,953**	8,697,651	**1,455,579**	2,001,135

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.

Summarised statements of comprehensive income

	MALTA HEALTHCARE CATERERS LIMITED		SKY GOURMET MALTA LIMITED	
	15 months ended 31 March 2020	Year ended 31 December 2018	**Year ended 31 March 2020**	Year ended 31 March 2019
	€	€	**€**	€
Revenue	**90,443,168**	56,471,929	**6,900,256**	6,796,826
Profit/(loss) for the year				
- total comprehensive income	**3,516,302**	2,931,967	**454,444**	275,785

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.

8. Investments in associates continued

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
	€	€	€	€
2020				
Porto Azzurro Limited	888,083	(537,906)	438,250	11,583
Sky Gourmet Malta Inflight Services Limited	133,900	(1,813)	394,997	4,561
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

DB Gauci Shopping Mall Limited, Porto Azzurro Resort Club Limited and JSSR Turnkey Projects 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. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Note	Properties	Motor vehicles	Total
		€	€	€
1 April 2019 – impact of adoption of IFRS 16		3,316,243	95,265	3,411,508
Additions		3,164,108	38,941	3,203,049
Amortisation charge	22	(428,944)	(34,665)	(463,609)
As at 31 March 2020		**6,051,407**	**99,541**	**6,150,948**

10. 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	
	2020	2019
	€	€
Year ended 31 March		
At beginning of year	**(20,894,857)**	(2,069,532)
Credited/(charged) to profit or loss (Note 26):		
Unabsorbed capital allowances	**19,861**	-
Utilised investment tax credits	**(2,085,089)**	(3,385,046)
Temporary differences on intra-group transactions	**9,266**	9,266
Temporary differences on property, plant and equipment and provisions for credit loss allowances	**180,780**	(451,871)
Temporary differences on right-of-use assets	**49,081**	-
Realisation through asset use	**108,632**	-
Charged to other comprehensive income (Note 15):		
Deferred tax on movements in revaluation surplus on land and buildings arising during the year (Note 14)	**3,850,000**	(14,997,674)
At end of year	**(18,762,326)**	(20,894,857)

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.

10. Deferred taxation continued

The balance at 31 March represents:

	GROUP	
	2020	2019
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**19,861**	-
Investment tax credits	**1,168,685**	3,253,774
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,254,974)**	(5,528,474)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(14,788,540)**	(18,747,172)
Taxable temporary differences arising from intra-group transactions	**(99,491)**	(108,757)
Taxable temporary differences arising from right-of-use assets	**49,081**	-
Deductible temporary differences on provisions for credit loss allowances	**143,052**	235,772
	(18,762,326)	(20,894,857)
Disclosed as follows:		
Deferred tax assets	**1,392,474**	1,363,394
Deferred tax liabilities	**(20,154,800)**	(22,258,251)
	(18,762,326)	(20,894,857)

11. Trade and other receivables

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current				
Amounts owed by subsidiary	**-**	-	**17,000,000**	-
Other receivables	**100,435**	75,000	**-**	-
	100,435	75,000	**17,000,000**	-
Current				
Trade receivables	**4,212,295**	4,824,580	**-**	-
Less: credit loss allowances	**(408,721)**	(673,635)	**-**	-
	3,803,574	4,150,945	**-**	-
Advance payments to suppliers	**2,286,938**	7,568,831	**-**	-
Amounts owed by shareholder	**26,206**	59,166	**259,156**	430,064
Amounts owed by subsidiaries	**-**	-	**108,927**	62,886
Amounts owed by associates	**2,275,416**	2,480,042	**1,728,254**	1,742,523
Amounts owed by other related parties	**145,013**	113,871	**-**	-
Other receivables	**840,706**	1,669,118	**-**	-
Indirect taxation	**-**	-	**3,527**	3,556
Prepayments	**1,146,915**	1,011,754	**-**	-
	10,524,768	17,053,727	**2,099,864**	2,239,029

11. Trade and other receivables continued

Non-current amounts owed by the subsidiary amounting to €17,000,000 relate to the consideration receivable from the sale of intellectual property to DB Group Franchising Limited. These amounts are unsecured, interest free and have been earmarked as additional capital required by the subsidiary, the terms of which will be concluded in the foreseeable future.

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.

Included in other receivables is a payroll grant receivable from the Government amounting to €234,078 (2019: nil) relating to the COVID-19 pandemic schemes.

12. Inventories

	GROUP	
	2020	2019
	€	€
Food and beverage	**867,624**	696,747
Merchandise	**588,441**	323,303
Consumables and other inventory	**308,119**	199,558
	1,764,184	1,219,608

13. Cash and cash equivalents

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and in hand	**25,770,964**	11,004,457	**20,344,084**	4,450,162
Bank overdrafts (Note 18)	**(1,410,132)**	(595,177)	**-**	-
	24,360,832	10,409,280	**20,344,084**	4,450,162

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14. Share capital

	COMPANY	
	2020	2019
	€	€
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

15. Revaluation reserve

	Notes	GROUP	
		2020	2019
		€	€
Year ended 31 March			
At beginning of year		**81,706,384**	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	10	**-**	(14,997,674)
Reversal of revaluation surplus on land and buildings arising during the year	4	**(11,000,000)**	-
Deferred tax on reversal of revaluation surplus on land and buildings arising during the year	10	**3,850,000**	-
Transfer upon realisation on through asset use, net of deferred tax		**(201,742)**	-
At end of year		**74,354,642**	81,706,384

The revaluation reserve represents the revaluation surplus arising on the valuation of the Group's land and buildings and is non-distributable.

16. Other reserves

	GROUP	
	2020	2019
	€	€
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

16. Other reserves continued

The capital redemption reserve represents a sum equal to the nominal amount of reference 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.

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. Trade and other payables

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current				
Amounts due to Government in relation to purchase of land	**49,225,625**	48,947,198	**-**	-
Deferred income arising on long term rights of use sales	**12,123,083**	10,985,349	**-**	-
	61,378,708	59,932,547	**-**	-
Current				
Trade payables	**6,733,413**	5,335,758	**-**	-
Amounts due to Government in relation to purchase of land	**1,429,571**	1,429,571	**-**	-
Payables and accruals with respect to capital expenditure	**1,099,062**	1,162,098	**-**	-
Contract liabilities - Advance deposits from tour operators and other third parties	**3,419,742**	7,806,276	**-**	-
Amounts owed to subsidiaries	**-**	-	**51,670,552**	36,262,695
Amounts owed to associates	**4,923,535**	3,883,507	**-**	-
Amounts owed to other related parties	**663,804**	1,305,222	**1,830,941**	891,518
Other payables	**139,803**	668,937	**18,785**	49
Indirect taxation and social security	**827,250**	92,830	**-**	-
Accrued interest payable to bond holders	**2,630,491**	2,641,582	**-**	-
Other accruals	**1,491,165**	1,716,655	**10,581**	6,550
	23,357,836	26,042,436	**53,530,859**	37,160,812

17. Trade and other payables continued

The Group's liability towards the Government of Malta in relation to the payment of ground rents 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	
	2020	2019
	€	€
Due within 1 year	**1,429,571**	1,429,571
Due between 1 and 2 years	**2,991,080**	1,429,571
Due between 2 and 5 years	**7,544,670**	8,973,241
Due after more than 5 years	**164,112,856**	165,675,366
	176,078,177	177,507,749
Less: imputed interest component	**(125,392,981)**	(127,130,979)
	50,685,196	50,376,770

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 (2019: €1,488,101) owed by a subsidiary to the Parent Company which are subject to interest at 4.8% (2019: 4.8%). All the other amounts are interest free.

18. Borrowings

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current				
Bank loans	**7,301,163**	8,303,770	**-**	-
Loan from subsidiary	**-**	-	**1,488,101**	1,488,101
650,000 4.35% Bonds 2017 - 2027	**64,314,699**	64,231,846	**-**	-
	71,615,862	72,535,616	**1,488,101**	1,488,101
Current				
Bank overdrafts	**1,410,132**	595,177	**-**	-
Bank loans	**781,728**	167,920	**-**	-
	2,191,860	763,097	**-**	-
Total borrowings	**73,807,722**	73,298,713	**1,488,101**	1,488,101

18. Borrowings continued

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 2020 and 2019 for the bonds was €98 and €103 respectively, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the current reporting period, bonds with a face value of €535,000 (2019: €500,000) were held by a company director.

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 16) 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:

	2020	2019
	€	€
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	238,735	155,882
Closing net book amount of bond issue costs	(685,301)	(768,154)
Amortised cost and closing carrying amount of the bonds	64,314,699	64,231,846

Bank borrowings

The Group's and the Company's banking facilities as at 31 March 2020 amounted to €74,198,508 (2019: €86,093,431) and €500,000 (2019: €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 €74,438,602 (2019: €85,100,000);
(b) general hypothecs over the Group's present and future assets up to an amount of €91,642,371 (2019: €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.

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18. Borrowings continued

The interest rate exposure of the bank borrowings is at floating rates and the weighted average effective interest rates as at the end of the financial reporting period are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	€	€	€	€
Bank overdrafts	4.0%	5.3%	-	-
Bank loans	3.9%	4.0%	-	-

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2020	2019	2020	2019
	€	€	€	€
Between 1 and 2 years	1,851,242	553,584	-	-
Between 2 and 5 years	3,964,870	1,660,754	-	-
Over 5 years	1,485,051	6,089,432	-	-
	7,301,163	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 0.27% (2019: 0.25%). The loans are unsecured and repayable by not later than 10 April 2027.

19. Deferred government grants

	GROUP	
	2020	2019
	€	€
At beginning of the year	14,462	23,283
Credited to profit or loss:		
- Annual amortisation related to assets	(4,821)	(8,821)
At end of year	9,641	14,462
At 31 March		
Non-current	4,820	9,641
Current	4,821	4,821
	9,641	14,462

20. Lease liabilities

	Properties	Motor vehicles	Total
	€	€	€
1 April 2019 – impact on adoption of IFRS 16	3,316,243	95,265	3,411,508
Additions	3,164,108	38,941	3,203,049
Interest charges	190,583	5,675	196,258
Payments	(483,745)	(35,085)	(518,830)
As at 31 March 2020	**6,187,189**	**104,796**	**6,291,985**
Non-current	5,672,752	78,309	5,751,061
Current	514,437	26,487	540,924
Total lease liabilities	**6,187,189**	**104,796**	**6,291,985**

The total cash outflows for leases in 2020 was €518,830.

21. Revenue

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
By category				
Hospitality and ancillary services	**39,737,633**	39,483,497	**-**	-
Food and beverage	**14,062,644**	12,672,863	**-**	-
Merchandise and other retailing activities	**4,490,025**	2,301,641	**-**	-
Other revenue	**1,033,372**	1,674,864	**-**	-
	59,323,674	56,132,865	**-**	-

22. Expenses by nature

		GROUP		COMPANY	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
Employee benefit expense	23	**12,902,514**	11,443,248	**-**	-
Amortisation of intangible assets	6	**268,956**	241,820	**-**	-
Amortisation of right-of-use assets	9	**463,609**	-	**-**	-
Depreciation of property, plant and equipment	4	**8,471,853**	7,166,672	**-**	-
Utilities and similar charges		**1,583,966**	1,668,466	**-**	-
Operating supplies and related expenses		**11,744,669**	9,995,188	**-**	-
Repairs and maintenance costs		**2,580,692**	3,423,010	**-**	-
Marketing, advertising costs and commissions		**1,536,367**	1,485,542	**-**	-
Franchise royalties		**452,443**	479,813	**-**	-
Operating lease rentals - property		**-**	587,426	**-**	-
Variable lease rentals		**315,472**	-	**-**	-
Ground rents payable		**-**	6,198	**-**	-
Amounts written off in respect of trade receivables (included in 'Administrative expenses')		**767,988**	-	**-**	-
Other expenses		**3,482,543**	3,645,591	**13,216**	17,750
Total cost of sales, selling and administrative expenses		**44,571,072**	40,142,974	**13,216**	17,750

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	
	2020	2019	**2020**	2019
	€	€	**€**	€
Annual statutory audit				
- parent company auditors	**87,300**	55,500	**1,050**	1,050
- other auditors	**-**	20,000	**-**	-
Tax advisory and compliance services				
- parent company auditors	**7,970**	6,650	**365**	365
Other non-audit services				
- parent company auditors	**59,594**	21,800	**5,500**	5,500
- other auditors	**-**	1,525	**-**	-
	154,864	105,475	**6,915**	6,915

23. Employee benefit expense

	GROUP	
	2020	2019
	€	€
Wages and salaries (including directors' remuneration)	**12,156,775**	10,557,781
Social security costs	**923,074**	841,542
	13,079,849	11,399,323
Recharged (to)/from associates	**(177,335)**	43,925
	12,902,514	11,443,248

Wages and salaries for 2020 are presented net of a payroll grant receivable from the Government amounting to €234,078 (2019: nil) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

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

	GROUP	
	2020	2019
Direct	**645**	570
Administration	**85**	70
	730	640

24. Other operating income

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Amortisation of deferred Government grants (Note 19)	**4,821**	8,821	**-**	-
Operating lease income	**297,998**	291,807	**-**	-
Other income	**1,129,285**	60,361	**-**	14,457
	1,432,104	360,989	**-**	14,457

25. Finance income and finance costs

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**69,564**	68,344
Finance income arising from short-term deposits	**-**	14,524	**-**	-
Other finance income	**-**	-	**8,178**	-
	-	14,524	**77,742**	68,344

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,910,353**	2,907,034	**-**	-
Interest on bank borrowings and other loans	**92,297**	3,507	**1,847**	635
Interest on loan from subsidiary	**-**	-	**67,709**	67,709
Finance cost on lease liabilities	**196,258**	-	**-**	-
Imputed interest component on deferred income arising on long-term rights of use sales	**499,833**	-	**-**	-
Other finance charges	**43,374**	33,403	**-**	-
	3,742,075	2,943,944	**69,556**	68,344

26. Tax expense

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current taxation:				
Current tax expense	**554,392**	1,575,240	**2,801**	-
Under provision in prior year	**167,098**	-	**-**	-
Deferred taxation (Note 10)	**1,717,469**	3,827,651	**-**	-
Tax expense	**2,438,959**	5,402,891	**2,801**	-

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	
	2020	2019	2020	2019
	€	€	€	€
Profit/(loss) before tax	14,618,664	16,095,517	16,984,970	(3,293)
Tax on profit/(loss) at 35%	5,116,532	5,633,431	5,944,740	(1,152)
Tax effect of:				
Share of results of associates	(668,892)	(556,138)	-	-
Expenses not deductible for tax purposes	202,301	212,670	4,625	1,152
Income not subject to tax or charged at reduced rates	(106,087)	(2,544)	(5,946,564)	-
Unrecognised temporary differences and unutilised tax credits	(54,394)	115,472	-	-
Under provision in prior year	(116,751)	-	-	-
Incentives in respect of intellectual property of a group undertaking	(1,933,750)	-	-	-
Tax charge in the accounts	2,438,959	5,402,891	2,801	-

27. Directors' remuneration

	GROUP		COMPANY	
	2020	2019	2020	2019
	€	€	€	€
Salaries and other emoluments	564,328	282,155	-	-

28. Cash generated from operations

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

		GROUP		COMPANY	
	Notes	2020	2019	2020	2019
		€	€	€	€
Operating profit/(loss)		16,449,620	17,435,971	16,976,784	(3,293)
Adjustments for:					
Depreciation of property, plant and equipment	4	8,471,853	7,166,672	-	-
Amortisation of intangible assets	6	268,956	241,817	-	-
Amortisation of right-of-use assets	9	463,609	-	-	-
Amortisation of deferred Government grants	19	(4,821)	(8,821)	-	-
Gain on disposal of property, plant and equipment		12,018	500	-	-
Movement in credit loss allowances		(264,914)	(1,085,091)	-	-
Changes in working capital:					
Inventories		(544,576)	(12,504)	-	-
Trade and other receivables		6,768,438	(1,252,867)	(16,860,835)	(12,186,505)
Trade and other payables		(2,913,400)	2,323,526	16,370,047	14,700,711
Cash generated from operations		28,706,783	24,809,203	16,485,996	2,510,913

Net debt reconciliation

Other than as disclosed in Note 18 '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 statements of cash flows.

29. Commitments

Capital commitments

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

	GROUP	
	2020	2019
	€	€
Authorised but not contracted for	**2,101,509**	2,378,000
Contracted but not provided	**-**	1,087,000
	2,101,509	3,465,000

Operating lease commitments – where group undertakings act as lessee

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

	GROUP	
	2020	2019
	€	€
Less than one year	**-**	598,997
Between one and five years	**-**	2,775,068
More than five years	**-**	2,657,054
	-	6,031,119

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	
	2020	2019
	€	€
Less than one year	**297,998**	291,807

Operating lease receivables relate to property concessions.

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30. Contingencies

At 31 March 2020, the Group's and the Company's major contingent liabilities were:

(a) Guarantees given by the Parent Company in respect of bank facilities of group undertakings for an amount of €72,900,000 (2019: 68,100,000). At 31 March 2019, the Parent Company also gave guarantees for an amount of €17,000,000 jointly with other group undertakings in respect of bank facilities of a subsidiary.

(b) Guarantees given by a group undertaking in respect of bank facilities of an associate for an amount of €3,375,000 (2019: €3,650,000).

(c) Undertakings given by the Parent Company to provide the necessary financial support to subsidiaries 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.

(d) Uncalled share capital amounting to €5,590 (2019: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2019: €960) relating to shares subscribed in subsidiaries by the Parent Company.

(e) Guarantees of €693,650 (2019: €693,650) issued by the Group's bankers, on behalf of group undertakings in favour of the Planning Authority, in the ordinary course of business.

(f) Guarantees of up to a maximum of €60,106 (2019: €60,106) issued by a group undertaking to various third parties for a beach concession.

(g) Guarantees and performance bond amounting to €250,000 (2019: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

(h) Guarantees of €108,500 (2019: nil) issued by the Group's bankers, on behalf of group undertakings in favour of the Environment and Resources Authority, in the ordinary course of business.

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.

31. Related party transactions continued

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

Except for transactions disclosed or referred to previously, the following significant operating transactions have a material effect on the operating results and financial position of the Group:

	GROUP	
	2020	2019
	€	€
Income from goods and services		
Management fees charged to associates (included in 'Other operating income')	**1,048,766**	-

Year-end balances with related parties are disclosed in Notes 11, 17 and 18 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprises the directors of the Parent Company and the directors of the other group undertakings. Key management personnel compensation, consisting of the Parent Company's directors' remuneration has been disclosed in Note 27. In addition to the amounts disclosed in Note 27, other key management personnel compensation amounted to €28,911.

32. Statutory information

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

33. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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