HANDS. ON.

ANNUAL REPORT **2021**

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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HANDS. ON.

The hands. One of the most uniquely human of our features, the ultimate embodiment of what it means to be who, and what, we are. We use them to paint, write, construct, invent, communicate, eat, show emotions, play a musical instrument, help others, sense the world around us and for so many other things. It is difficult to imagine what the human race would be like without hands.

It might not be immediately clear why such a train of thought should introduce the annual financial report of a group of companies that employs a total of over 3,500 people. Adding a bit of curiosity to pursue this train, however, should pay its dividends.

2020 was undoubtedly the darkest financial year we ever encountered, and hope to never encounter again. The COVID-19 pandemic, this invisible terrorist, has been holding the world in its grip over fifteen months. It still does, although we are beginning to see a flickering light at the end of the tunnel. With hospitality being our core business, we experienced the devastating blow of the pandemic **first hand.**

From the onset, as a Group we had to make unavoidably difficult choices. The first one, which determined our path through the pandemic, was the riskiest. We decided to retain all our employees. Looking forward, we endeavoured to ensure that once some semblance of normality returned we had **all hands on deck**. The risk paid off – today the db Group remains strong to continue planning for a brighter tomorrow.

The trust we put in our employees motivated them to **give a hand** in the most creative, assiduous and dedicated manner. They plunged in to do jobs they had never done before, they worked together in teams born from one day to the next, they worked **hand in hand** while learning on the spot.

Complementing our forward looking human resources vision was a management team and a board of directors whose members never let up and never let go. Through it all we remained faithful to one of our guiding principles, to be **hands on**. Driven by the ‘excellence in everything we do’ principle which is the heart of our mission statement, we set out to re-invent, re-imagine and re-structure practically our entire set up.

Knowing our business and our sectors like the **back of our hand**, we protected the fort to withstand the pandemic’s onslaught which practically collapsed the tourism market. Yet at the same time we prepared ourselves for the opening of its gates when the right time came.

Hand on heart, as the db Group’s track record attests, we have always believed in the potential of this country, always putting our money where our mouth is. Over the course of the last decade and a half we invested and risked even at the worst of Malta’s financial and economic times.

For all its, and our, faults, Malta will always remain a great place to live in, work and invest in. And it will still continue to punch above its weight in the European and global hospitality market. Sure, there is a lot still to be done to make this country the unique destination of choice for the discerning traveller. But I am convinced we will get there.

Hands down.

SILVIO DEBONO
Chairman & Managing Director

Silvio Debono is the db 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.

CHAIRMAN'S INTRODUCTION

YOU ARE HERE. SO ARE WE.

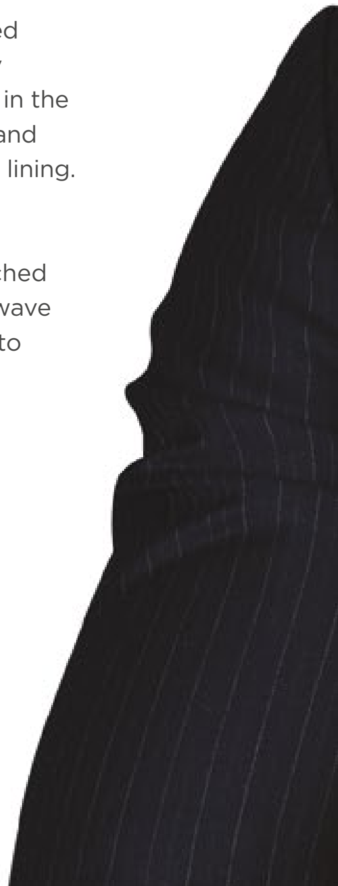
For a Group whose core business is hospitality, COVID-19 posed the most formidable challenge we ever encountered. For business whose very essence is the coming together of people, a pandemic that forces them apart is not just a problem but a threat to its existence. To cite a simple devastating fact, from hotels with 80% occupancy during the low season we went to closing both of ours within a few days.

Faced with this ultimate test of the db Group's mettle, I am proud to report that we passed - bruised but not beaten, upbeat that good times will eventually return. If anything, 2020 is testament that db stands for strong resilience in the face of adversity. We immediately set out to counter the economic tsunami effect to counter the unavoidable. With all the due diligence and willpower, we set out to introduce countermeasures to this pandemic, implementing all the safety measures and more, as advocated by the Health Superintendency. Health matters took over all other considerations and rightly so. We too played our part in combating the magnanimous situation which none of us were prepared for yet, and with impressive zeal and passion, rose to address in the circumstances.

Low occupancy and strict COVID-19 guidelines meant that we had to put all our operations under a powerful microscope. The dynamics of our organisation allowed us to promptly and with due haste, adapt to the new norm. A new business model that was lean and capitalised on the maximisation and efficient use of available resources designed for economies of scale which had vanished into thin air literally overnight. We had to learn to improvise in a way which would let us fight to live another day, in the knowledge that once the storm was over, we would be in a better shape to face the onset of a new beginning albeit under different conditions.

The same raison d'etre and modus operandi was implemented to our restaurants' side of the business. We had to culturally adapt to new ways of doing business, moving from a table-based service which allows for human interaction to one based on no human interaction and delivery based off site. Revenue from both increased by 6 times. A most welcome new world emerged in the fact that today, we continue to master almost 50% of the increased revenue from take-aways and deliveries despite returning to a service based model. So true of in every cloud there is a silver lining.

Not surprisingly, hotels and restaurants experienced a welcome surge in demand practically from the word go on re-opening our doors to business. In July 2020, Hotel occupancies reached 65% as soon as commercial and leisure air travel was given the green light again. The same wave of upbeat business patterns was the norm in the restaurant side of operations. Until we had to face a second closure in March 2021 because of the second wave of the pandemic. However, as a result of a number of measures that were implemented, particularly ensuring that quality of food and the high level of service were never compromised, we emerged on a stronger footing than before. In this respect, I am pleased to note that some of our restaurant business segments achieved very commendable results by exceeding revenue figures versus prior years.



CEO REPORT

All this propels us to look ahead with cautious optimism – we can never let the times we are going through go by the wayside but need to continuously learn and be clever to adapt to ensure we will be off the starting blocks once restrictions are fully removed. The surge in advance bookings for July and August 2021 are testament to this.

The Human Resource element has always been at the centre of the Group's success. And if there was ever the need to put this to the litmus test, then the COVID-19 pandemic compelled us to do so. The Group ensured no redundancies took place by adopting a burden sharing approach, with the Group shouldering the bulk of this cost. We found that all staff responded positively to the policies adopted in this respect and their cooperation and understanding merits a big thank you and mention in my report for the year. Indeed so true of the acronym – together we will.

Faced with all the problems and mayhem which the pandemic brought into our daily lives, we remained steadfast and did not lose faith in living to see a brighter day. In this respect, the Group pursued its strategic growth objectives, primarily seeing through the approval of the permit for the development of the City Centre Project, which however is now subject to an appeal process. We continued to invest in new Starbucks outlets which have proved resilient throughout the pandemic.

The flip side to the COVID-19 pandemic was to witness an upsurge in business within the Group's Healthcare sector. The results of this upsurge were primarily two pronged – a natural increase in demand for our services (provision of nurses and carers) to mitigate the huge strains on the healthcare sector in general and the launching of the new accommodation wings to Saint Vincent de Paul Residence. The growth in this sector saw revenues increasing by 27%. I cannot fail but commend our staff who performed front line duties during this pandemic, providing swabbing and vaccination duties at various points across the island.

Invariably, on a consolidated basis, Group revenues took a downward hit, resulting in a 71% drop in revenue. However, on a positive note, despite the tremendous gravitational pull in the revenue generation, I am pleased to report a positive yet lower EBIDTA of €5.6 million. Although this number is a far cry from the results achieved during the course of the past year, it is nonetheless most heartening to note that with all the adversity and challenges we had to face, a positive result was nonetheless achieved.

Another positive is to note that the price of the bonds listed under SD Finance plc maintained an overall above par price footing despite at one point hitting 96 at the outset of the pandemic. The price has generally fluctuated between 101 and 103 during the year under review.

It is an understatement to state that the Group has had to plough through choppy waters – indeed like the rest of the world, we had to face a tsunami which I am pleased to note we have thus far weathered successfully. I continue to look with great hope for a future which will not only bring the desired dividends to the Group but also fulfilment and pride to our staff who have acted in the most impeccable way throughout.

ROBERT DEBONO
Chief Executive Officer

Robert Debono, 28, is the db Group's CEO. He read for an honours Bachelor of Commerce degree with a focus on management. He started his journey with the Group seven years ago in the finance department of Healthmark, a subsidiary of the Group, joining the team to foster it's growth.

More recently, Robert gave a strong input to the drive to open a wide range of restaurants and to implement an extensive refurbishment and maintenance programme. He also charted the Group's course through the COVID-19 pandemic.

BOARD OF

SILVIO DEBONO
CHAIRMAN

ROBERT DEBONO
CEO

VICTORIA DEBONO
DIRECTOR

ARTHUR GAUCI
DIRECTOR

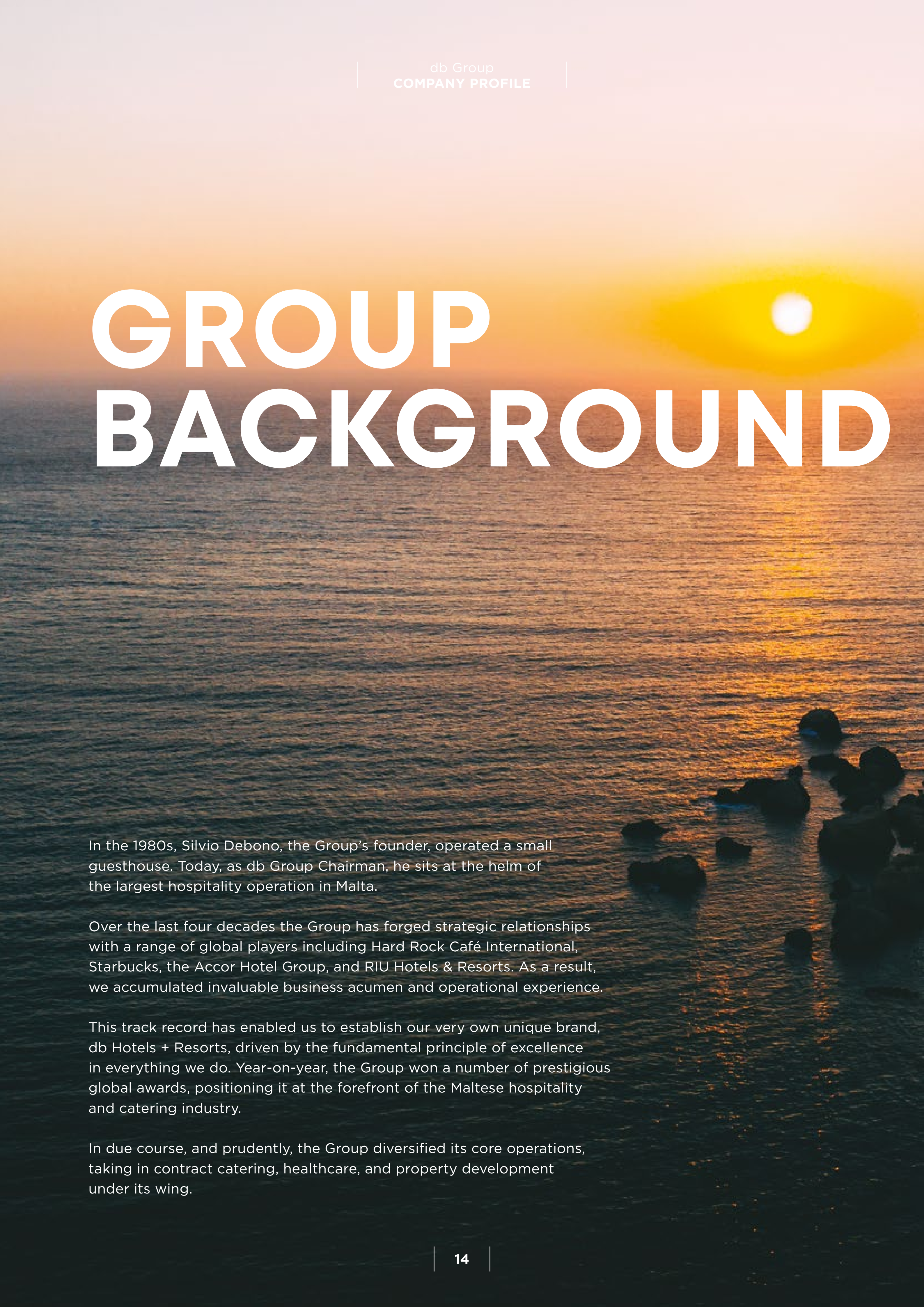
DIRECTORS

JESMOND VELLA
DIRECTOR

VINCENT DEGIORGIO
DIRECTOR

DAVID DEBONO
DIRECTOR

ALAN DEBONO
DIRECTOR



GROUP BACKGROUND

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

Over the last four decades the Group has forged strategic relationships with 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

During the financial year spanning 1 April 2020 to 31 March 2021, the db Group, including its associates, demonstrated solid resilience to face the significant challenges brought about by the COVID-19 pandemic. In a year defined by unprecedented disruption, the Group and all its staff came together to face the unknown and continued to deliver excellence in every sector it operates in.

As a result of the challenges resulting from periods of closures and a significant drop in tourism, in FY21 the Group's revenue decreased to €17.3 million, a 71% decrease on FY20. Despite decreased, the EBITDA for FY21 remained positive at €5.6milion.

Notwithstanding the challenging year, the Group reached a number of key milestones.

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

More than ever, the Group continued to be actively engaged in the creation of the db City Centre, situated in the Golden Mile, St Julian's, one of Malta's prime entertainment and hospitality locations and right across St George's Bay, a blue flag beach. Over the year, the Group focused on valid objections to the project and acted accordingly.

Consequently, the original plans were substantially altered. The historic ITS building on site will remain in place, rehabilitated and refurbished; no excavation will be carried out underneath it. Additionally, reservoirs and the shelter found on site will remain untouched and with all mitigation measures approved.

The project's gross developable floor area (GDF) has been reduced by 50,000 sqm. The residential tower was split into two much lower ones, the height of the hotel was reduced, and all the office space has been removed. The height of the project is now comparable to, if not less than, 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 sqm.

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

The Planning Authority has recently approved the project and issued a permit accordingly, which, however, has now been appealed. As always, the db Group shall continue to pursue the realisation of this project according to all the applicable procedures, policies and laws.

New Saint Vincent de Paul Residence blocks now at 95% capacity

Through a public private partnership, Malta Healthcare Caterers Ltd and James Caterers Ltd consortium was awarded a concession in 2017 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 504 high-dependency elderly residents and dementia patients. Built on 33,500 sqm, the four new blocks incurred a capital expenditure of €36 million. The new blocks include open spaces for socialising and activities as well as physiotherapy rooms, a chapel, two hydrotherapy pools, a gymnasium and other facilities. As of July 2021 these blocks are operating at 95% capacity.

Malta Healthcare also provides SVPR with management services including nursing, caring, housekeeping and catering for the additional beds under a long-term contract. It has also set up and operates a fully equipped on-site kitchen to provide catering services for all the 1,700 residents for which an investment of an additional €4million was made.

Our staff as COVID-19 front-liners

We are also extremely proud that the Group has been able to contribute towards the tackling of the COVID-19 pandemic in Malta. This was done through our role in the provision of nurses and carers at various key strategic locations, including swabbing centres, vaccination centres, and ports of entry such as the Malta International Airport, together with increasing capacity at care homes and Mater Dei Hospital to support increased demand due to the pandemic.

Opening of an additional new Starbucks outlet

The db Group holds the exclusive license to operate and develop the Starbucks brand in Malta. The Group opened its first Starbucks outlet in 2019, marking a special milestone for Starbucks international - Malta became its 80th global market.

In June 2021 the Group opened its fifth Starbucks outlet at The Strand in Sliema, one of Malta's most vibrant streets, located a few meters from the sea. This is the second Starbucks outlet that the Group opened in Sliema in a period of one year during these challenging times.

Strong year, despite the challenges, for our new Japanese restaurant in Valletta, AKI

Now in its second year of operation, despite long periods of closure due to restrictions imposed throughout the COVID-19 pandemic, AKI has demonstrated a positive year registering revenue of €1.4 million.

The restaurant was opened by the db Group in February 2020, just before the pandemic hit Malta. With an investment of around €1.2 million it is a state of the art landmark restaurant and lounge bar in Valletta, offering a unique gastronomic experience.

Adapting our operations to the new normal

In order to enhance our business continuity options and to ensure the safety of our clients, we had to be agile and quickly adapt our operations to the new realities of the pandemic. In our hotels this included temperature checks, serviced buffets, table distances, and so on. In our restaurants this included switching from table service to deliveries and take-aways. We also used the closure periods to enhance our operations. Through the adoption of the Oracle point of sale system, for instance, we improved our efficiency by connecting the front of house, kitchen, and back-office operations of our restaurants to provide our clients with an improved experience.

Preparations for new Hard Rock in St. Julians

In anticipation of the creation of the Hard Rock Hotel as part of the db City Centre, the iconic and much frequented Hard Rock Café at Bay Street Complex in St. Julians was closed down. The outlet had been operational for 20 years and was well renowned amongst both locals and tourists. Covering 600 sqm, this restaurant seated 180 and included a bar area, a merchandise shop and of course the world-famous rock ‘n’ roll memorabilia.

HOSPITALITY

db Seabank Resort + Spa

db San Antonio Hotel + Spa

Porto Azzurro Hotel

db City Catering + Events

HEALTHCARE[1]

Healthmark Care Services

Health Services Group

Support Services

LEISURE

Hard Rock Café Malta

Starbucks

Adeera Complex:
Amami, Blu Beach, & Westreme

Nine Lives Beach Club

AKI

Eventful

PROPERTY DEVELOPMENT[3]

db San Gorg Property

Kika Construction Company

Siar Property Investments

Għadira Property Investments

CONTRACT CATERING[2]

Sky Gourmet Malta

Malta Healthcare Caterers

db Seabank RESORT + SPA

db San Antonio HOTEL + SPA

Porto Azzurro

Hard Rock CAFE MALTA

nine lives

eventful

AKI

AMAMI TASTES OF ASIA

Blū. 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

[1] Provided by associates

[2] Provided by associates

[3] The results of the property development companies listed above, with the exception of DB San Gorg Property, are not included in the Group Accounts of SD Holdings Limited. The property development companies file separate Audited Financial Statements.

FINANCIAL HIGHLIGHTS

With 3,500 beds the db Group is the largest local hotel operator. The full headcount of the Group, including its subsidiaries and associated companies is 3,565 employees.

Group revenue, inclusive of that generated by individual associates, for the year ending 31 March 2021

The revenue split across the different operational segments of the db Group was impacted due to the COVID-19 pandemic, with the hospitality and leisure one being the most impacted. It accounted for 17% of FY21 revenue compared to 47% in pre-COVID FY19.

HOSPITALITY & LEISURE

FY19	47%
FY20	38%
FY21	18%

HEALTHCARE

FY19	35%
FY20	36%
FY21	53%

CONTRACT CATERING

FY19	18%
FY20	26%
FY21	29%

REVENUE
(€000s)

MAR 2019	56,133
MAR 2020	59,324
MAR 2021	17,250

-71%
CHANGE FY2020/FY2021

EBITDA
(€000s)

MAR 2019	26,448
MAR 2020	27,565
MAR 2021	5,629

-80%
CHANGE FY2020/FY2021

EBITDA MARGIN
(€000s)

MAR 2019	47.1%
MAR 2020	46.5%
MAR 2021	32.6%

-30%
CHANGE FY2020/FY2021

PROFIT AFTER TAX
(€000s)

MAR 2019	10,693
MAR 2020	12,180
MAR 2021	(2,107)

-117%
CHANGE FY2020/FY2021

CAPITAL EXPENDITURE
(€000s)

MAR 2019	5,412
MAR 2020	7,829
MAR 2021	2,382

-70%
CHANGE FY2020/FY2021

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.

VALLETTA
Capital City

316KM²
Area

200KM
Shoreline

516,100 PERSONS
Population
as at December 2020

1,633 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

MALTA'S BENCHMARK RATING

compared to 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 involves 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 benchmarks 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

CORPORATE TAX RATE

35%

The said tax rate may be reduced through tax credits and / or the operation of the Maltese double taxation relief mechanisms and / or the tax refund system and / or as a result of claiming a Notional Interest Deduction in respect of its risk capital.

DOUBLE TAXATION TREATIES

77

SOVEREIGN RATINGS

A+ Outlook Stable (Fitch, June 2021)

A2 Stable (Moody's, February 2021)

A-/A-2 Stable (Standard & Poor's, March 2020)

Source: Credit Rating Economics

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

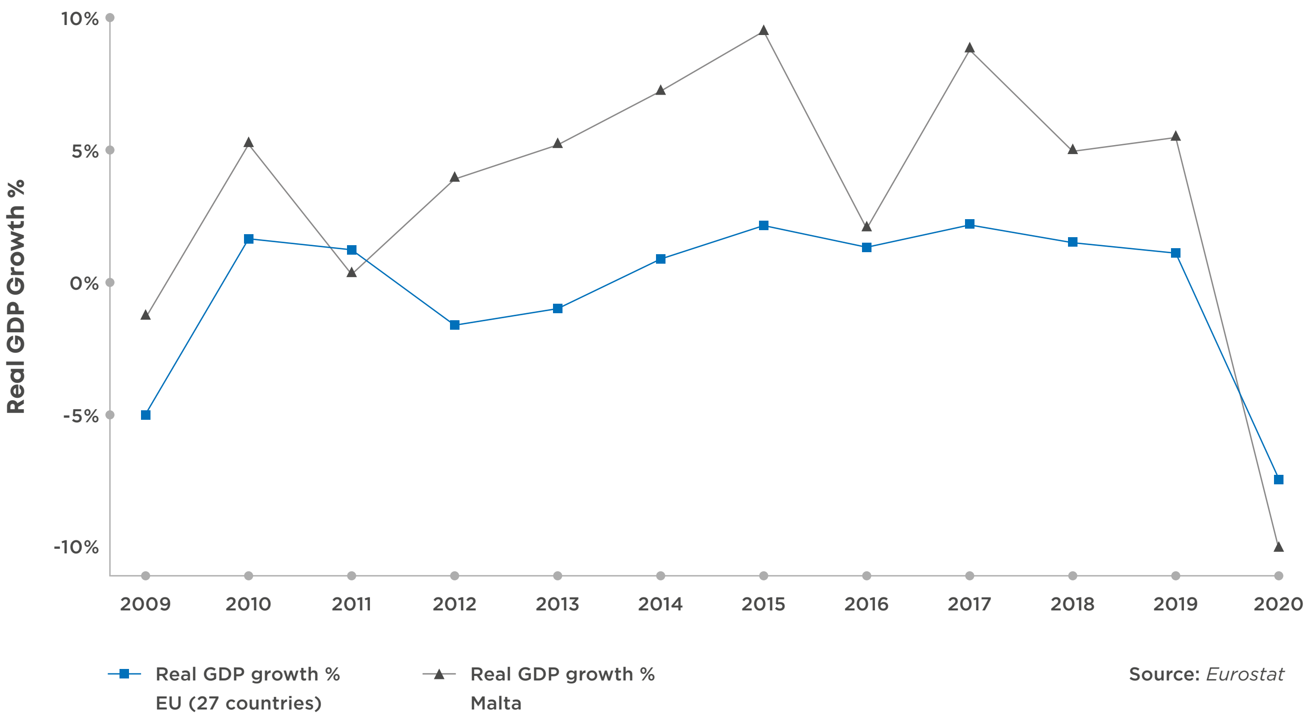
Since Malta's accession to the EU in 2004, the country's opportunities and prospects expanded significantly. Malta is the EU's smallest economy with the latest Real GDP figures reported at €11.5 billion in 2020. Between 2006 and 2019, Malta's Real GDP had increased from €6 billion to €12.5 billion, making it the third fastest growing economy in Europe following Ireland and Hungary.

Real GDP levels have since fallen as a consequence of the COVID-19 crisis.

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 on average consistently outperformed the EU average since 2009, experiencing a brief dip in 2011. This growth has been driven by significant structural changes in the country's 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. In 2020, the COVID-19 crisis resulted in a decrease of Malta's Real GDP levels of c. 7.8%, falling at a faster rate than the EU-27 average largely. This was a result of government restrictions adopted to curb the spread of COVID-19 affecting some of the key economic sectors on the island, particularly tourism and hospitality.

Real GDP growth %. 2009-20



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 unemployment levels. Labour demand well superseded local supply, triggering a strong influx of foreigners as well as a significant growth in population – 516,100 residents in 2020. The size of the expat community increased exponentially from around 19,000 in 2009 to circa 104,000 in 2020. In 2020, 70,402 foreigners were in active employment. EU nationals made up 44% of total foreign employment, while 55% were third country nationals or came from EFTA countries.[4] [5]

The COVID-19 pandemic in Malta

The COVID-19 pandemic has presented the world with unprecedented challenges. More than a year since the first outbreak of the virus in Wuhan, China, the pandemic has continued to cause havoc across the globe in terms of illness fatalities and the global economic system. Malta was no exception, having multiple waves of COVID-19 which as of the 24th July 2021 has resulted in 33,668 total cases across the islands and 421 deaths.

Nevertheless, the strength and quality of the Maltese healthcare system along with the community's resilience and vigilance has proved essential in limiting the outbreak. Timely measures taken by the health authorities and the successful mass vaccination campaign of the public, led to 392,994 persons receiving at least a first vaccine dose and 369,441 being fully vaccinated so far.[6] In addition, as of 19th July 2021 the Government has also been operating mobile COVID-19 vaccination clinics without the need for appointments for all unvaccinated residents. Over 8,000 COVID-19 vaccines were administered at such clinics in the first week of operation.[7]

Such timely measures have meant that the local community was only subject to semi-lockdown conditions coupled with a strong emphasis on allowing economic activity to continue albeit at significantly reduced levels. Furthermore, following the closure between 21 March and 30 June 2020, the airport was able to continue operating without having to shut-down again, welcoming passengers from a limited number of destinations. In an effort to curb the importation of COVID-19 cases, particularly of new variants, as of July 14th 2021[8] the authorities mandated that all travel to Malta shall be subject to the provision of a recognised vaccine certificate and a completed passenger locator form (PLF).

4 European Free Trade Association (EFTA) countries including Iceland, Liechtenstein, Norway and Switzerland

5 Jobsplus data as at December 2021

6 https://deputyprimeminister.gov.mt/en/health-promotion/covid-19/Pages/covid-19-infographics.aspx

7 https://timesofmalta.com/articles/view/more-than-8000-vaccines-given-from-walk-in-mobile-clinics-in-one-week.888679

8 https://deputyprimeminister.gov.mt/en/health-promotion/covid-19/Pages/travel.aspx

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 businesses. The immediate aim was to help them 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 amounting to €800 per month for each full-timer and €500 per month for part-timers. The supplement was then extended and maintained for businesses falling under Annex A[9], while the partial supplement for businesses falling under Annex B[10] was also extended until September 2020. Other activities previously supported by the Wage supplement but not included in either of Annex A or Annex B also had their wage supplement extended, including €600 for full-timers and up to €375 for part-timers.

In an attempt to reduce COVID-19 transmissions, new restrictions were introduced in 2021, including the shutting down of restaurants and retail establishments with effect from 11th March 2021. Following the announcement, the Government committed that, through the Malta Enterprise Corporation, such establishments would receive the full wage supplement amounting to c. €800 per employee per month. Beneficiaries of the wage supplement whose business was not shut down following these restrictions would instead benefit from a reformed wage supplement scheme through which assistance is calculated on the loss of revenue over a six-month period in 2020 when compared to the same period in 2019.

Other measures included payment of mandatory quarantine leave, an increase in unemployment benefits to those 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.

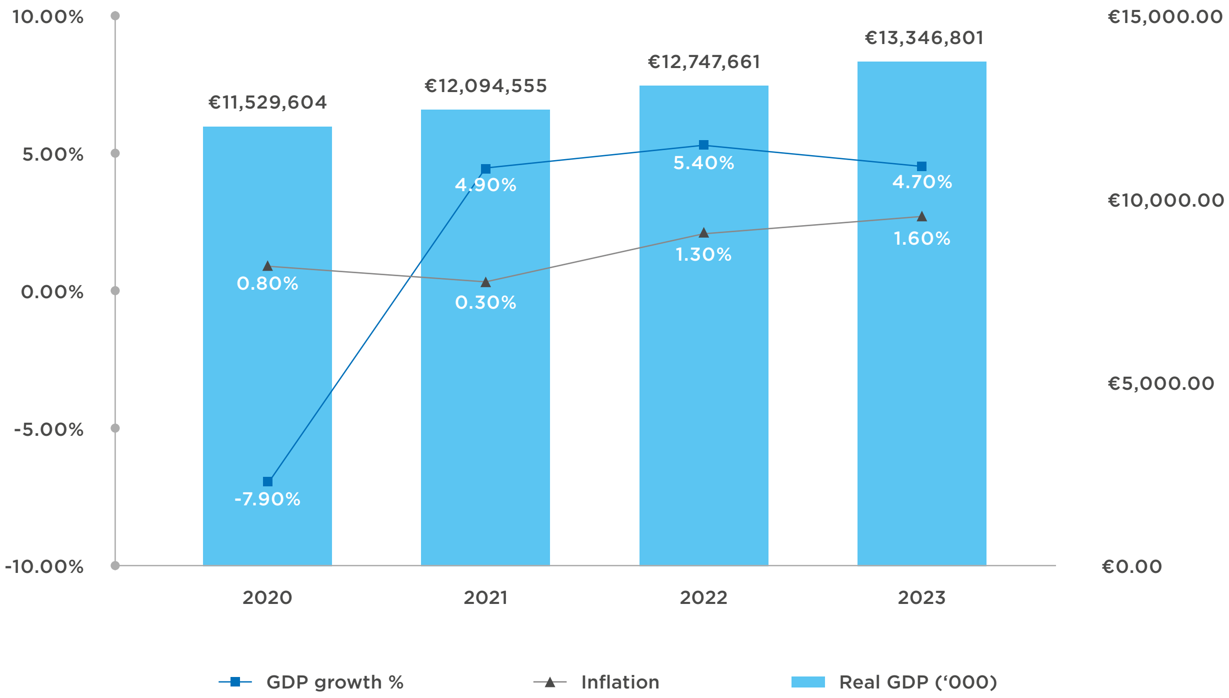
Economic impact estimates

The outbreak of COVID-19 has had a significant negative impact on the Maltese economy in the short-term, with Real GDP declining by 7.8% in 2020 relative to 2019 levels. The pandemic has also contributed to heightened uncertainty, particularly in light of its impact on the crucial tourism sector. Nonetheless, it is anticipated that Malta's economy will recover relatively quickly, with GDP returning to its pre COVID-19 levels by 2022.

Meanwhile the European Commission (EC) and the IMF are respectively projecting economic growth of 5.6% and 5.75% in 2021. In line with the CBM, both the EC (5.8%) and the IMF (6.0%) are expecting the Maltese economy to start recovering to pre-pandemic levels by 2022. Malta's decline in economic activity is similar to that of the Euro Area (EA) average with the recovery expectations also in line with the EA.

9 Businesses involved in tourist accommodation, travel agencies, language schools event organisation and air transport.

10 Employed and self-employed persons who were being assisted under the partial Supplement.



Source	Indicator	2021P	2022P	2023P
Central Bank of Malta	GDP Growth	4.9%	5.4%	4.7%
	Inflation	0.3%	1.3%	1.6%
European Commission	GDP Growth	5.6%	5.8%	N/A
	Inflation	1.1%	1.8%	N/A
IMF	GDP Growth	5.75%	6.0%	N/A
	Inflation	1.1%	1.4%	1.5%

Source: Central Bank, 2021:2; European economic Forecast Spring 2021 IMF Interim Report

The impact of FATF Greylisting

In May 2021, Malta passed the assessment by the Council of Europe's (COE) Anti-Money Laundering (AML) body, Moneyval. It had identified substantial progress in technical compliance regarding previously identified deficiencies in Malta's efforts to combat money laundering and terrorist financing.

On 25th June 2021, however, the Financial Action Task Force (FATF), which is the intergovernmental organisation originally developed to formulate policies combatting money laundering and terrorism financing, whilst recognising that Malta has made progress on a number of the recommended actions to improve its system, voted to place Malta on its so-called 'greylist'.

Countries on the FATF 'greylist', are deemed to represent a much higher risk of money laundering and terrorism financing but have formally committed to working with the FATF to develop action plans that will address their deficiencies. In this respect, Malta now faces increased monitoring and will need to demonstrate progress on a list of recommendations to be removed from the list. The Maltese Government has agreed to an action plan with FATF to improve its law enforcement and to address the remaining shortcomings in the shortest possible timeframes.

Given that the decision was taken very recently, the long-term projected impact on the economy resulting from Malta's 'greylisting' is difficult to quantify, particularly as the overall impact is dependent on the effectiveness and efficiency of the authorities' response.

Fitch Ratings, a global credit rating agency, released a statement on the 30th June 2021, noting that while the FATF 'greylisting' confirms structural weaknesses in Malta's AML framework, there is expected to be no immediate impact on Malta's sovereign credit rating or on the credit ratings of its domestic banks.

Fitch commented that reputational damage could eventually adversely affect the country and its financial system by reducing its attractiveness for investors and for corporates, ultimately leading to capital outflows and / or weaker-than-projected economic performance. Simultaneously, it was noted that repeated 'greylisting' of Panama and Iceland in 2019 and 2020 had limited economic effects.

Moreover, Fitch Ratings pointed out that, following the perceived shortcomings identified in the earlier 2019 Moneyval report, Malta's banks and supervisory authorities have had more time to prepare contingency plans than those in some other countries, and thus report adequate capital ratios, alongside being backed up by ample liquidity

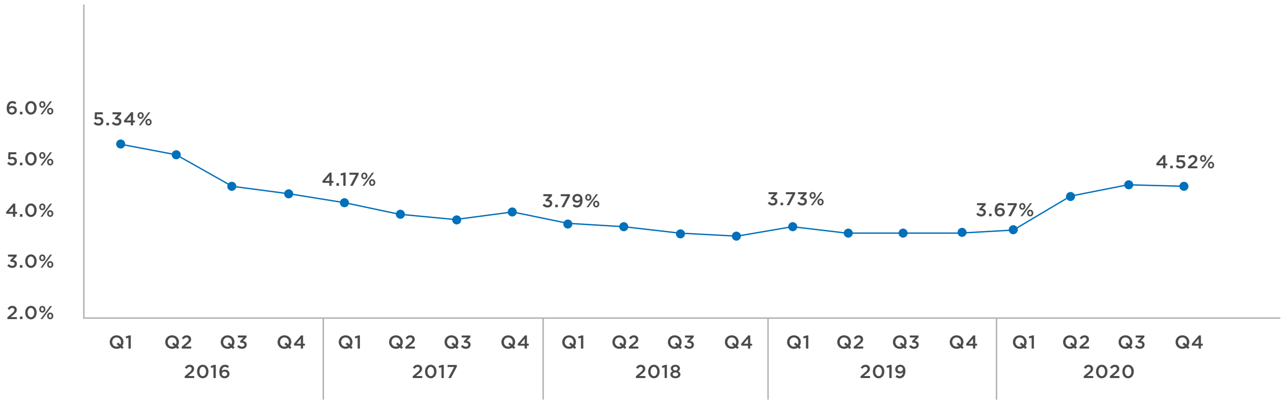
Malta's Unemployment

In line with strong economic growth, unemployment was on a downward trend and reached historic lows in 2019. This has led to a tighter labour market which the local workforce could not fully satisfy. In turn, this resulted in an influx of foreign labour that has significantly increased the local population and increased competition amongst employers. Following the outbreak of the pandemic across the world, unemployment has since increased to 4.5% as of Q4 2020, compared to 3.6% in Q4 2019.

Like all other nations, the pandemic and the imposition of restrictions on a number of sectors to try and curb the spread of the virus, inevitably increased unemployment. In the first 4 months of 2020 the number of those registered as unemployed increased to around 4,500 persons. However, as a result of the loosening of restrictions and the issuing of unemployment wage supplements total registered unemployment fell to around 2,000 persons by the end of May 2021.[11]

It is projected that Malta's unemployment rate will decrease to c. 4.2% by 2022 as Malta further recovers from the impact of COVID-19.

With government support and other benefits, Malta maintained a good average compared to other EU countries, despite the increase in registered unemployment. As outlined in the latest available figures, Malta's unemployment situation has since improved significantly and thus continues to maintain a strong rate of employment relative to other EU Member States.



Source: *Malta National Statistics Office, 2021*

[11] NSO News Release 117/2021 - Registered Unemployment - May 2021 (July 2021)

As of Q1 2021, the EU-27 unemployment rate average (based on seasonally adjusted figures as a % of the total working population) was 7.7%, whereas the local unemployment rate stood at 3.8% during the same period. In this respect, Malta had the second lowest unemployment rate in the EU, second only to the Czech Republic, reflecting its strong position compared to other European jurisdictions.

Unemployment Rate - 2021 Q1

SWEDEN	9.5%
CROATIA	9.5%
FRANCE	8.2%
FINLAND	8.1%
LATVIA	8.0%
CYPRUS	7.9%
AUSTRIA	7.8%
EU - 27	7.7%
SLOVAKIA	7.3%
LITHUANIA	7.2%
PORTUGAL	7.1%
IRELAND	7.1%
ESTONIA	7.0%
BELGIUM	6.8%
DENMARK	6.4%
BULGARIA	6.1%
ROMANIA	6.0%
LUXEMBOURG	5.6%
SLOVENIA	5.4%
NETHERLANDS	5.3%
HUNGARY	4.3%
POLAND	4.0%
GERMANY	4.0%
MALTA	3.8%
CZECH REPUBLIC	3.5%

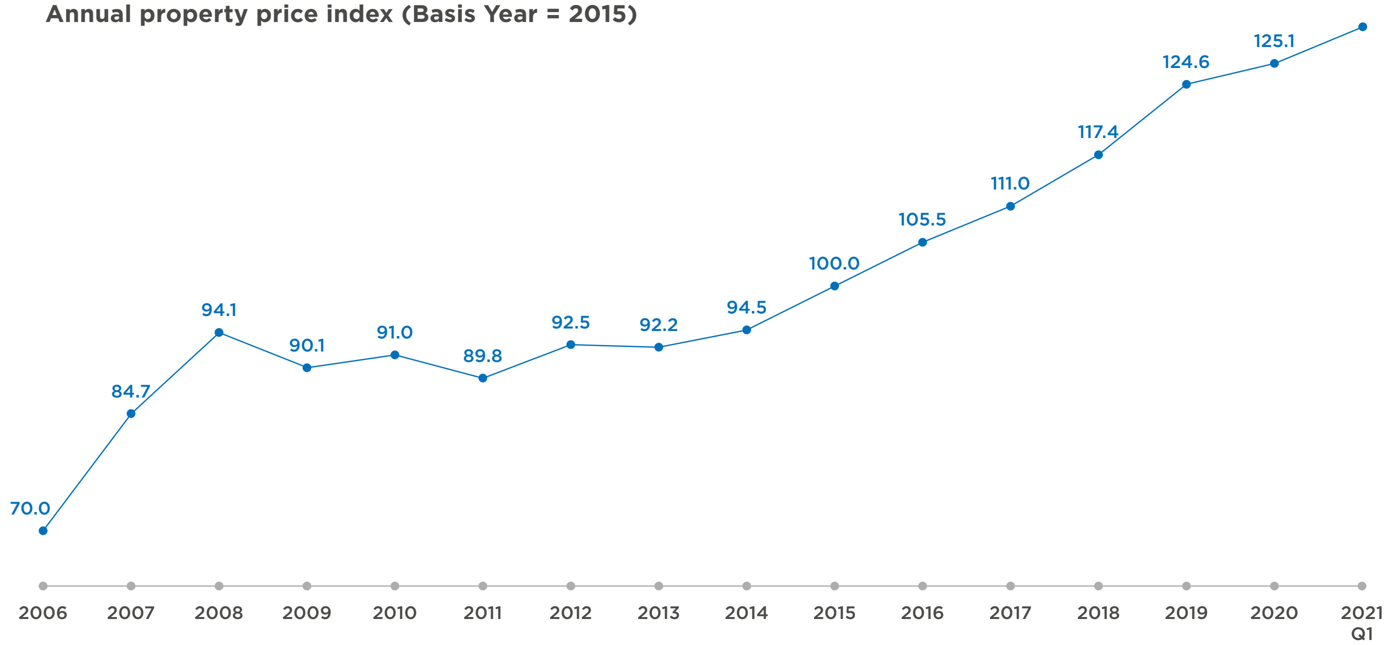
Source: *Eurostat*

Malta’s Residential Property Market

The Maltese real estate market has always been strong. It has experienced a three-decade long capital appreciation curve, withstanding even the global economic crisis in 2009, as well as the effects of the pandemic. The economic and population growth spiked demand in the local residential property market, particularly between 2014 and 2019. This is reflected in the surge of transacted property volume and the residential property price index.

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 in an SDA.

Annual property price index (Basis Year = 2015)



Source: *Malta National Statistics Office, 2021*

The House Property Index (HPI) published by Eurostat captures price changes of all residential properties purchased by households, both new and existing. The compounded average growth rate (CAGR) reveals that between 2016-2020, Malta's price movement was slightly slower than the EU-27 average growth.

HUNGARY	12.0%
CZECH REPUBLIC	9.5%
PORTUGAL	9.4%
LUXEMBOURG	9.3%
SLOVAKIA	8.0%
NETHERLANDS	8.0%
LATVIA	7.7%
LITHUANIA	7.6%
POLAND	7.4%
SLOVENIA	7.1%
CROATIA	6.6%
GERMANY	6.6%
BULGARIA	6.4%
ESTONIA	6.1%
EU - 27 AVERAGE	5.9%
AUSTRIA	5.9%
IRELAND	5.8%
MALTA	5.1%
SPAIN	5.1%
ROMANIA	4.9%
DENMARK	4.1%
BELGIUM	3.7%
FRANCE	3.7%
SWEDEN	3.1%
GREECE	3.0%
CYPRUS	1.9%
FINLAND	1.4%

Source: *Eurostat*

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 ones. Indeed, the seven years that preceded the pandemic saw Malta nurture a truly robust and resilient economy, with consistently high rates of GDP growth, record lows of unemployment and multiple years of fiscal surpluses.

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 solid economic foundations put into place during this period of growth provided the Government of Malta with the tools to help sustain the economy and withstand the challenge posed by COVID-19 and set in motion a turnaround to continue developing the economy once it subsides.

This is highlighted in the recently released Malta Economic Vision 2031, which sets out the overall direction and mission to ensure Malta's future success by placing an emphasis on community vitality, virtualisation and innovative solutions. This will be achieved through the focus on five overarching pillars for the Maltese economy, outlined below:

1. **Sustainable economic growth** - Safeguarding current growth industries while cultivating and creating a culture of innovation for new niches and engines of growth which lead to substantial quality-of-life improvements;

2. **High quality infrastructure and investment** - In an increasingly globalised economy, Malta strives to develop a world-class, sustainable infrastructure across road, air and sea transportation, while creating a vibrant investment environment for domestic and foreign entrepreneurs, and becoming a regional hub for start-ups;

3. **Education and employment** - To provide the necessary conditions for human capital to acquire the necessary knowledge and skills to build the economy of the future, create high-quality and well-paying jobs, and ensure that Malta remains a natural home for a pool of global talent;

4. **The environment** - To facilitate and enable a smooth transition towards a circular and sustainable economy across all sectors of economic activity, while embracing new alternative energy solutions to achieve carbon neutrality by 2050; and

5. **High standards of accountability, governance and rule of law** - To continue to enhance and promote good governance across every sphere of public life, key institutions and decision-making authorities, affirming itself as a trustworthy, transparent and efficient economic partner on the global sphere.

This long-term economic vision for Malta was set out to align itself with European priorities, facilitating the hooking up of national, sectoral and thematic strategies into available European Commission funding streams.

Malta will be eligible for a total of €2.25 billion in EU funding through the Multiannual Financial Framework (MFF) over the period 2021-2027, which will provide:

- €934 million for Cohesion Policy;
- €327 million for COVID-19 stimulus;
- €276 million for Migration, Borders, Security, Education and Fisheries;
- €242 million for Recovery & Resilience, Single Market and European Values;
- €191 million for Agriculture; and
- €162 million for Strategic Investment, Research and Innovation and the Environment.

The €242 million Recovery and Resilience Fund (RRF) will be provided to Malta in the form of grants. The funds will be mainly used to shore up the fallout created by the pandemic as well as help remedy some of the islands' most pressing issues in the realms of the environment and rule of law.

In addition, each recovery and resilience plan is obliged to dedicate a minimum of 37% of its expenditure to climate investments and reforms, and another 20% to help foster the digital transition. These funds are therefore ring-fenced for the purposes of greening and digitising the economy. Therefore the lion's share of Malta's allocation will go towards ensuring a healthy and vibrant future for the island, based upon improving the environment, infrastructure, education, employment and carbon neutrality.

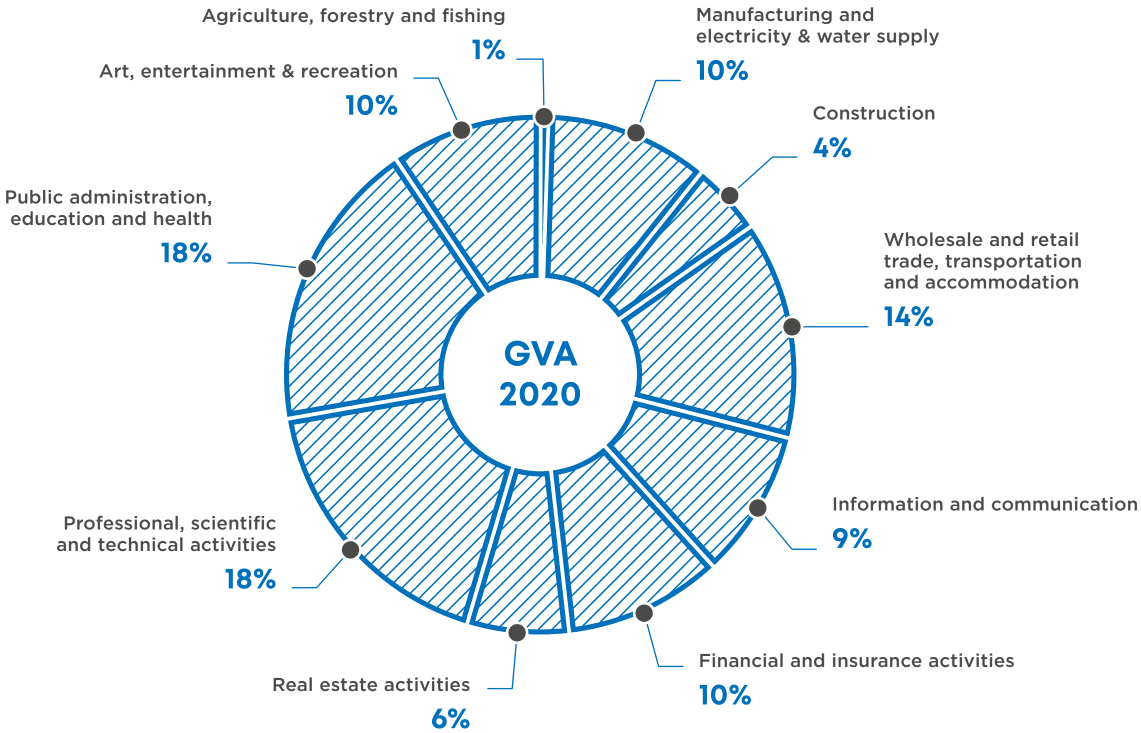
In this respect, and in light of the recent development regarding Malta's greylisting, a large area of focus for Malta's future economic growth is on securing the health and growth of Malta's financial sector in a sustainable manner, whilst adhering to the highest levels of good governance.

Diversification into new niches of economic activity are at the forefront of Malta's economic vision and will be essential in creating a compelling value proposition for innovative businesses to establish their operations locally rather than in other jurisdictions. Malta intends, and is capable of, making full use of the country's size, EU membership and location to position itself as a leading global test bed to pilot new solutions.

A primary ambition is to establish Malta as a global leader in niche areas of research, development and innovation. The Government aims to double spend on R&D, mainly through increased private sector investment in parallel with that of government, academia and policy levers involving both supply-side and demand-side measures.

In this respect, AI and IoT are high on the country's agenda while other key focus areas include health and wellbeing, digital education technology and services (EdTech), technology driven regulatory solutions (RegTech), autonomous marine vessels, public sector blockchain solutions, green solutions such as carbontech, and international arbitration.

Gross Value Added (GVA) – Sectorial distribution of Malta's GVA for 2020



Source: *NSO*

MALTA'S KEY ECONOMIC SECTORS

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.

GAMING

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, a promising industry and amongst the fastest growing in the world. It is projected to globally grow beyond the €1 billion mark.

As Europe's iGaming capital, Malta is home to the world's largest operators and hosts 323 iGaming companies.[12] 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.

[12] MGA, Annual Report, July 2021

FINANCIAL SERVICES

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

The core pillars of Malta's financial sector are represented by domestic and international 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 as well as opening its doors specifically to fintech entrepreneurs. Given Malta's ambition to become an innovation hub, the fintech sector is finding it attractive to relocate here due to the wealth of local talent, both technological and financial.

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.

One of the main components outlined in Malta's Recovery and Resilience Plan is to strengthen the resilience of the health system through policy reforms and investments focusing on prevention measures, improving the quality of medical treatment, digitising services and bolstering the workforce. This component has been allocated a budget of €50 million

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.

DIGITAL STRATEGY

The Government of Malta has taken a clear stance on technological innovation; the country should become a disrupter, rather than a follower. In line with this commitment, Malta has 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" which includes plans to revolutionise many industries from tourism to gaming to financial services.

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 was launched in June 2020. The idea is to come up with guidelines and suggestions on how Malta can diversify 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 Barts Medical School, based at the Gozo General Hospital, was opened in 2019. This private university offers 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.

CONSTRUCTION

Despite the onset of the COVID-19 pandemic in Malta, the construction sector has continued to grow. During 2020, the GVA from Malta's construction sector grew by 1.5%, increasing from c. €507.2 million to c. €512.5 million as of the end of 2020.[13]

[13] National Statistics Office, News Release 28 May 2021 – Gross Domestic Product: 2021

MALTA'S KEY ECONOMIC SECTORS

(Continued)

TOURISM

Prior to the outbreak of the COVID-19 pandemic, Malta's tourism industry had experienced successive years of growth and in 2019 incoming tourism reached 2.8 million[14] visitors. Over the years, the country rapidly became a 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. However, due to the ongoing health crisis, Malta's tourism sector faced a sharp decline in 2020. This was largely due to several global restrictions on international travel, with airports, hotels and other related industries effectively forced to severely limit their operations. Consequently, only 658,600 tourists visited Malta in 2020 representing a 76% drop in inbound tourism.

The Government is currently in the process of launching a new tourism strategy covering the period 2021-2030. The new strategy is undergoing stakeholder and public consultation which is expected to be completed by the end of 2021. The strategy document was prepared in the context of the COVID-19 crisis, and thus focuses on the recovery and resurgence of the local tourism industry. In this respect, despite the significant disruption caused by the pandemic, the new tourism strategy continues to build on the policy direction from the previous National Tourism Plan 2015-2020. Sustainability, quality and product development are key themes on which the strategy is based.

Tourism Post Covid-19

Following the significant disruptions in 2020, a number of new outbreaks of the COVID-19 virus have led to further travel restrictions in 2021, with the near future still remaining unclear. UNWTO figures indicate that the impact of COVID-19 led to a year-on-year decline of 73% in global international tourism between 2019 and 2020. Similarly, the first quarter of 2021 shows international tourist arrivals falling by 85%. Going forward, the UNWTO expects that the uptake of vaccinations will be the key to recovery. However, they also highlight the need for countries to improve coordination and communications as well as the need for making testing easier and more affordable. In its latest industry survey, UNWTO found that nearly half (49%) of industry experts do not expect to see a return to 2019 international tourism levels until 2024 or later, whilst 37% expect this level to be reached by 2023.[15]

[14] National Statistics Office, Inbound Tourism, December 2020

[15] https://www.unwto.org/taxonomy/term/347

AVIATION

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

The pandemic had an enormous impact on the aviation industry, affecting passenger traffic, aircraft workforce and incoming revenues. In general, tours and travel declined causing some airlines like the UK's Flybe and SunExpress Deutschland, to already file for bankruptcy. Over 2020 and 2021, a number of European airlines required state financing in order to deal with severe disruption in cash flow. [16]

In 2020, 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 revenue 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. Whilst the aviation industry experienced a sudden drop in travel over 2020 and 2021, with governments imposing strict travel restrictions, Air Malta managed to continue its operations by assisting the government in repatriating nationals. Like other major airlines across Europe, Air Malta is currently seeking state aid to help deal with the financial burden arising from the challenges posed by COVID-19. [17]

[16] https://www.transportenvironment.org/what-we-do/flying-and-climate-change/bailout-tracker

[17] https://timesofmalta.com/articles/view/brussels-asks-government-to-submit-smaller-air-malta-aid-request.884830

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.

EASE OF ACCESS

During the height of the pandemic a number of airlines had to cancel some or all of their routes to and from Malta. Nevertheless, a number of major international airlines continue to operate routes in and out of Malta - Emirates, Lufthansa, British Airways, Qatar Airways, Ryanair, EasyJet, Wizzair, Alitalia, Air France and Turkish Airlines. Moreover, in December 2020, Malta International Airport officially set the ball rolling for 'Apron X', a multimillion project which focuses on transforming the airport 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 delayed.

Being an island with a rich maritime industry, Malta is also fully accessible by sea. Currently there is a fast RoRo ferry service operated by Virtu ferries between Valletta and Pozzallo (Sicily). Recently the same company announced that it is planning to launch two more routes in 2021, from Valletta to Augusta and Catania. Moreover, a new entrant to the Malta-Sicily ferry market is being set-up by Ponte Ferries with plans to operate a route between Valletta and Augusta, thus introducing healthy competition. The new company plans on operating the new ferry service in Q3 2021.

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 2021 Q2, the total of licensed motor vehicles reached 408,205. [18]

As a result of overcrowding, the 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. As outlined in Malta's Government Budget for 2021, €450 million has been allocated towards infrastructural investment over the next 7-years with the purpose of changing Malta's industrial infrastructure and creating spaces and new offices for businesses.

[18] National Statistics Office, Motor Vehicles: Q2/2021

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.

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.

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) has 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.

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 granting of Citizenship for Exceptional Services Regulations ("the Regulations"), which gives 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 in terms of the Regulations include, *inter alia*, that the individual:

- provides proof of residence in Malta, for a period of 36 months, provided that this period may by exception be reduced to a minimum of 12 months subject to an exceptional direct investment;
- makes a contribution of €750,000 or €600,000 (depending on whether the individual opts for a 12-month or 36-month residency, respectively) and an additional €50,000 for each additional dependent;
- provides proof of a residential address in Malta with a minimum value of €700,000 or an annual rent of €16,000; and
- makes a donation of at least €10,000 to a registered philanthropic, cultural, sport, scientific, animal welfare or artistic non-governmental organisation.

The number of successful main applicants shall not exceed 400 per annum and 1,500 applications in total.

Malta Permanent Residence Programme

Furthermore, an individual may obtain permanent residency rights in Malta, in terms of the Immigration Act under the **Malta Permanent Residence Programme (MPRP)**, subject to the fulfilment of certain criteria.

Under the MPRP, Third Country Nationals and their dependents who are willing to invest in Malta are granted a Maltese residence permit and may reside, settle and stay in Malta indefinitely, as well as travel in the Schengen area without the need to apply for a visa.

The main applicant must satisfy the following three criteria:

- pay a non-refundable administrative fee of €40,000;
- purchase property at not less than €350,000 (or €300,000 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);
- pay a Government contribution of €28,000 if purchasing a property or €58,000 if leasing a property, and an additional €7,500 for each additional adult dependent (except for the spouse);
- make a donation of €2,000 to a local philanthropic, cultural, scientific, sport, animal welfare or artistic non-governmental organisation; and
- show that they have capital assets of not less than €500,000, out of which a minimum of €150,000 must be financial assets.

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%. Furthermore, through fiscal unity, the 5% effective tax rate may be achieved immediately without having to pay a distribution or file a claim for a tax refund.

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 increases 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'. Beneficiaries of the said Rules may benefit from the reduced tax rate for a period of 5 years in the case of EEA and Swiss nationals and for a period of 4 years in the case of third country nationals. Furthermore, any person who is eligible to fall under the said Rules, upon submitting an application, shall be eligible for two further extensions for the qualifying period, provided that the maximum qualifying period shall not exceed a consecutive period of fifteen years (in the case of EEA/Swiss nationals) or twelve years (in the case of third country nationals). No determination in terms of these Rules shall be issued after 31 December 2025.

Similar programmes, 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 **The 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.

HOSPITALITY AND LEISURE

HOSPITALITY AND LEISURE

Tourism is a main pillar of the Maltese economy, attracting 2.8 million tourists a year prior to the COVID-19 outbreak.[19] In the 5 years between 2015 and 2019, tourist arrivals increased by a compounded annual growth rate of over 8.9%, well above the averages reported in the European Union.[20] In 2020, inbound tourism fell by 76.1% to 658,567 tourists. Whilst in 2019 travel and tourism contributed 10.3% to the country's GDP, in 2020 and 2021 this figure has been much lower due to the ongoing global health crisis.

Main Indicators for Inbound Tourism for Malta 2017-2020

	2017	2018	2019	2020	% change 19-20
Inbound tourists, not including overnight cruise passengers (thousands)	2,274	2,599	2,753	659	-76.1%
Tourist guest nights (thousands)	16,500	18,570	19,350	5,230	-73.0%
Average length of stay (days)	7.3	7.1	7.0	7.9	-0.9
Tourist expenditure (€ millions)	1,950	2,100	2,200	455	-79.5%

Source: *National Statistics Office*

May to October are typically the peak tourist months with August being the busiest one. In 2020, tourists coming from EU accounted for around 68% of all inbound visitors.[21] Over 2020, the UK remained Malta's main source market, accounting for 21% of annual arrivals. Around 14% of tourists come from Italy, while German and French visitors each account for 11% of total annual inbound visitors.

Over the years, Malta's tourist profile has shifted 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 aged between 25 to 44 years old.[22]

[19] National Statistics Office, Inbound Tourism: December 2020
[20] National Statistics Office, Inbound Tourism: December 2015 and December 2020
[21] National Statistics Office, Inbound Tourism: December 2020
[22] National Statistics Office, Inbound Tourism: December 2020

As at the end of 2020, the number of hotels in Malta and Gozo stood at 101, with over 31,000 beds available. The majority are 4 and 3 star establishments, housing 14,244 and 9,312 beds respectively. During 2020, 51% of non-resident hotel guests stayed at 4-star hotels, whilst another 25% stayed at 3-star hotels, and 21% opted for 5-star hotels.[23]

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 2020, with restaurants closing again between March and May 2021, 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 were 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

Over 90% 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.[24] This growth was driven by additional capacity deployed by operating airlines and a number of new airlines and routes operating to Malta. However, in 2020 due to the ongoing COVID-19 pandemic, MIA's passenger traffic fell by 76.1%, which led the Company to register the worst traffic result since the airport's privatisation in 2002.

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.[25] Malta is also traditionally popular as a yachting destination, offering a wide range and volume of berthing facilities. In 2020, cruise travel was impacted even more negatively than other forms of tourism travel, with only 59,000 cruise passengers visiting Malta, representing a year-on-year decrease of 92%.

[23] National Statistics Office, Collective Accommodation Establishments: December 2020
[24] Malta International Airport, Annual Statistical Summary 2019
[25] 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.

2021

Periods of closure due to COVID-19 used to refurbish hotel rooms and different sections of the hotel.

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 spectacular unobstructed sea views. The hotel sits on approximately 23,000m^2 of land, 19,000m^2 of which are landscaped, and employs over 210 persons from 30 different countries.

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.

In 2021, the Group utilised periods of closure due to the COVID-19 pandemic as an opportunity to refurbish a number of hotel rooms and areas of the hotel. This included the replacement of baths with showers in 100 rooms, including screens and the replacement of tiles and cement boards in rooms and all day dining restaurants. Additionally, plastering and painting were carried out on the walls of all the rooms and public areas together with the replacement of plug-in fluorescent lamps in all rooms with LED lamps.

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

2021

Traveller Review Award by Booking.com
Traveller's Choice Award by Trip Advisor
Recommended Hotel by HolidayCheck

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.

2021 RESULTS AND KPIS

Throughout FY21, as expected, business was deeply disrupted by the pandemic. The hotel's total revenue declined significantly as a result of prolonged periods of closure and drastic reduction in tourist arrivals. This resulted in occupancy declining from 83% in FY20 to 15% in FY21, which favourably compares to the average of 14.6%[26] for 4-star hotels in the same period. Despite this, Achieved Average Room Rate increased by 5%. The reported Gross Operating Profit (GOP) amounted to €117,000, with the GOP margin of 3%.

REVENUE
(€000s)

MAR 2019	24,743
MAR 2020	24,338
MAR 2021	3,918

-84%

CHANGE FY2020/FY2021

AVERAGE ACHIEVED ROOM RATE
(€)

MAR 2019	132
MAR 2020	128
MAR 2021	136

6%

CHANGE FY2020/FY2021

GROSS OPERATING PROFIT
(€000s)

MAR 2019	10,257
MAR 2020	11,428
MAR 2021	117

-99%

CHANGE FY2020/FY2021

GROSS OPERATING PROFIT MARGIN
(%)

MAR 2019	41%
MAR 2020	47%
MAR 2021	3%

-94%

CHANGE FY2020/FY2021

OCCUPANCY
(%)

MAR 2019	80%
MAR 2020	83%
MAR 2021	15%

-82%

CHANGE FY2020/FY2021

[26] National Statistics Office, Collective Accommodation Establishments April 2020- March 2021

db SAN ANTONIO HOTEL + SPA

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.

2021

Periods of closure due to COVID-19 are used to refurbish hotel rooms and the spa, of which the refurbishment of the spa alone involved an investment of €360,000.

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. The hotel has over 260 staff from 35 countries. 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 been substantially upgraded in 2015. With an investment of €33 million, the number of rooms was increased from 300 to 500. In addition, 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.

Periods of closure due to the pandemic provided the Group with the opportunity of also carrying out further work and investment at this hotel as well. In this regard, refurbishments were carried out on most of the rooms and public areas - plastering, pointing, painting and repainting. €360,000 was invested in the refurbishment of the spa which now has a total of seven Treatment Rooms, a Hammam, Ayurveda room and Sultan's Bath. The indoor pool area including the hydro bath area has also been refurbished.

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

2021

Traveller Review Award by Booking.com
Traveller's Choice Award by Trip Advisor
Recommended Hotel by HolidayCheck

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

2021 RESULTS AND KPIS

The db San Antonio Hotel & Spa's total annual revenue was inevitably and significantly impacted by the pandemic, having decreased by 75% from €19.9 million in FY20 to €4.9 million in FY21. The Average Achieved Room Rate decreased from €126 in FY20 to €113 in FY21. Occupancy declined from 79% in FY20 to 16% in FY21. The hotel reported a GOP of €0.7 million and a GOP margin of 15%.

REVENUE
(€000s)

MAR 2019	19,786
MAR 2020	19,889
MAR 2021	4,904

-75%
CHANGE FY2020/FY2021

AVERAGE ACHIEVED ROOM RATE
(€)

MAR 2019	124
MAR 2020	126
MAR 2021	113

-10%
CHANGE FY2020/FY2021

GROSS OPERATING PROFIT
(€000s)

MAR 2019	12,368
MAR 2020	11,792
MAR 2021	746

-94%
CHANGE FY2020/FY2021

GROSS OPERATING PROFIT MARGIN
(%)

MAR 2019	63%
MAR 2020	59%
MAR 2021	15%

-75%
CHANGE FY2020/FY2021

OCCUPANCY
(%)

MAR 2019	79.6%
MAR 2020	78.9%
MAR 2021	16.3%

-79%
CHANGE FY2020/FY2021

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.

2021 RESULTS AND KPIS

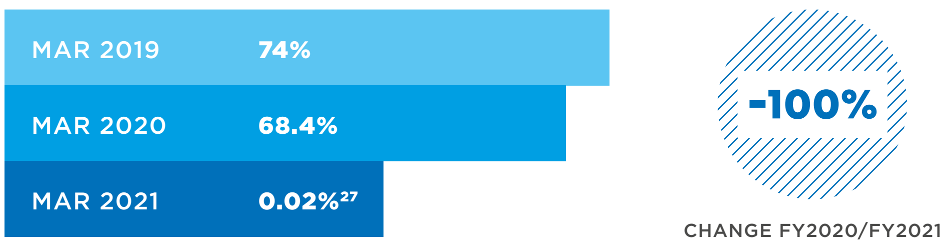
The FY21 resulted in a significant decline in revenue also for this hotel from €1.3 million in FY20 to €0.2 million in FY21. The reported Gross Operating Loss amounted to €127,000 which is a decline of 187% when compared to FY20.

REVENUE
(€000s)

AVERAGE ACHIEVED ROOM RATE
(€)

GROSS OPERATING PROFIT
(€000s)

OCCUPANCY
(%)



[27] Hotel operated only in July 2020

EVENTFUL

Eventful is an brand 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 are 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 aims to free clients from the stress 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.

Obviously this activity has been severely impacted due to the restrictions on the organisation of functions and events due to the pandemic over the last year.

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
CAFE

HARD ROCK CAFÉ MALTA

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

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.

VALLETTA

**Hard Rock Café,
Valletta Waterfront**

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

The iconic Hard Rock Café at Bay Street Complex in St. Julians closed its doors in November 2020. Plans are well underway for the Group to open the Mediterranean's third Hard Rock Hotel at the db City Centre, also in St. Julians.

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

2021 RESULTS AND KPIS

During FY21, Hard Rock Café generated €1.3 million in revenue, an 80% decrease on its revenue for FY20 which stood at €6.8million. Clearly, business was significantly interrupted as a result of the pandemic, when the outlets were closed between 5th March and 9th May 2021.

REVENUE
(€000s)

MAR 2019	6,883
MAR 2020	6,767
MAR 2021	1,341

-80%

CHANGE FY2020/FY2021

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. 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. This outlet has been featured in international press as one of four Instagram worthy outlets to visit. 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

As the Starbucks brand quickly gained traction, the third and fourth outlets opened their doors - at the bustling Piazzetta Business Plaza on Tower Road, Sliema, and on equally busy Islet Promenade in Bugibba. The Bugibba outlet was opened in May 2020 when partial lock down measures and operational restrictions were in force.

2021

Even though 2021 has been an extremely difficult year, particularly for the leisure and hospitality sector, the db Group did not halt its investment plans and went ahead with the planned store openings, opening an outlet at the Strand in Sliema in June 2021, its second outlet in this town within a year. Given the resounding success of operating the current Starbucks outlets, the Group now has ambitious plans for opening an additional nine Starbucks outlets in Malta over the next twelve months. In this regard, six have been confirmed and shall be located in Mriehel, Mellieha, Valletta, Mosta, Qormi and Msida. These new outlets will result in the db Group tripling the number of Starbucks outlets it operates in Malta.

2021 RESULTS AND KPIS

Starbucks generated €1.6 million in revenue for FY21, a significant increase of 30% compared to FY20, demonstrating the potential of the Starbucks brand in Malta.

REVENUE
(€000s)

MAR 2019	n/a
MAR 2020	1,218
MAR 2021	1,587

30%

CHANGE FY2020/FY2021

AMAMI, BLU BEACH CLUB & WESTREME

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 opens its doors in the complex.

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 bay located in Mellieħa. Despite the unprecedented challenges faced throughout this last year, Amami still managed to exceed sales figures of the previous year.

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.

WESTREME

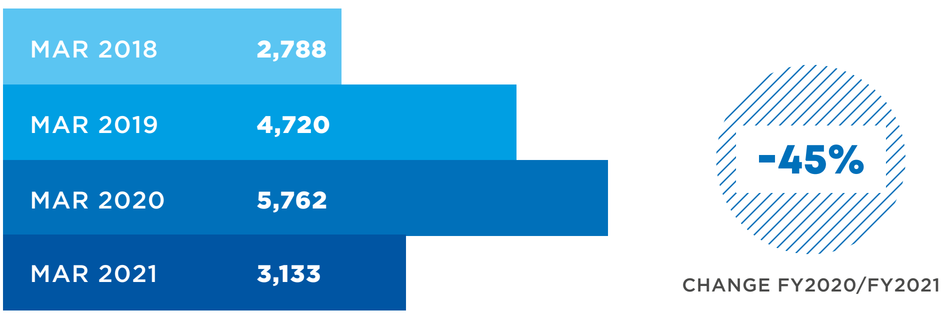
Westreme is a family restaurant offering an extensive and well-priced menu. Patrons enjoy the spectacular and tranquil views of the Mellieħa Bay while children have fun in the dedicated play area right in the restaurant, making it the perfect family outing.

2021 RESULTS AND KPIS

2021 marks the third year of operations since the complex was renovated and rebranded. Total revenues for FY21 were of €3.1 million, a decrease of 45% when compared to FY20. This drop in revenue was expected due to the prolonged periods of closure as a result of the pandemic. A significant portion of the revenue was in fact generated through deliveries, which has been sustained even following the reopening of these establishments and now constitutes a new revenue stream.

REVENUE

(€000s)



NINE LIVES

NINE LIVES

In June 2019, the Nine Lives beach club opened its doors. With an investment of €2.5 million, the Group developed a cool, sophisticated yet casual ambiance at a carefully curated space - 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 spectacular views of St. Paul's islands. In between dips in the Mediterranean sea, guests can bask in the sun and enjoy gourmet food. In the evening, music becomes an integral part of the seaside, summery atmosphere, with regularly scheduled events.

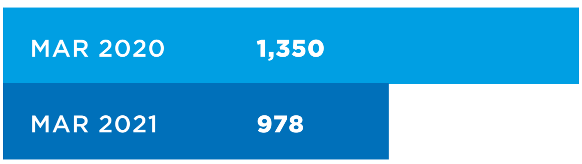
Now in its second year of operations, Nine Lives has been very well received, becoming a destination popular with locals and tourists, achieving excellent operational and financial results despite the challenging circumstances which have been faced throughout these unprecedented times. It reaffirms the Group's ability to successfully create novel leisure experiences.

The success of Nine Lives beach club is evident from the fact that its performance in the first half of 2021 is better than it was in the same time period in 2020, despite a winter characterised by long periods of closures. Following partnerships with Bolt and Wolt, we experienced a significant increase in deliveries with most of these sales being maintained once restaurants reopened.

In addition, revenue so far for summer 2021 has surpassed that of summer 2019, before the on set of the pandemic.

During FY21, Nine Lives generated €1 million in revenue, a decrease of 28% over the FY20 revenue of €1.4million.

REVENUE
(€000s)



-28%
CHANGE FY2020/FY2021

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 sample from signature Japanese-inspired dishes prepared with care and with flavours to satisfy modern palates and contemporary styles. At the lounge area, guests can choose from an array of signature AKI cocktails. 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.

In 2020, as a result of the 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.

Now in its second year of operation, despite significant challenges related to the COVID-19 pandemic, such as periods of closure and other restrictions, AKI is often fully booked on weekends from days in advance and sales figures are positive and encouraging. During FY21, AKI generated €1.4 million in revenue, reaffirming the Group's ability to successfully create novel gastronomical experiences.


AKI

HEALTHCARE

Background

The public sector is the main healthcare service provider in Malta, providing practically universal coverage to all residents covered by social security legislation or humanitarian exemption. It is complemented by a private sector which mostly delivers primary healthcare services. Despite being the smallest European Union Member State, Malta has registered one of the largest increases in per capita health expenditure in the EU over the past decade. Today, health spending per capita has increased by well over 60% since 2007, equating to over 10% of the GDP. In 2018, the country had a total of around 2,088[28] hospital beds, which has since increased substantially throughout the pandemic.

Going forward, the number of beds is expected to increase further through a €2 billion public-private partnership ongoing with Steward Health Care (SHC). SHC is set to remodel and refurbish the current Gozo Hospital, Karin Grech Hospital and St. Luke's Hospital. In fact, in 2020, Steward Malta expanded the Gozo General Hospital's capacity by an additional 120 beds to prepare for the pandemic. In 2021, SHC completed extensive upgrades of Gozo General Hospital's emergency and outpatient departments, and a refurbishment to the physiotherapy department at Karin Grech Hospital. During the COVID-19 pandemic, SHC also 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 local hospitals has 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.

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.[29] 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.

On July 13th 2021, the European Commission officially received Malta's submission of its recovery and resilience plan under which Malta has requested a total of €316.4 million in grants under the RRF. Malta's plan consists of six main components, of which component 4 involves several measurable reforms and investments related to strengthening the resilience of the health system. This component, through policy reforms and investments, aims to improve the quality of the local healthcare system by focusing on prevention measures, improving medical services and treatments, digitising healthcare services and strengthening the health workforce. This component will have a budget of c. €50 million.

[28] Eurostat data: Hospital Beds by type of care
[29] European commission, council recommendation 2020

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 2020, it was indicated that around 1,340 persons were 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 introduced the Care at Home Scheme, in which the beneficiary will receive a maximum amount of up to €6,000 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 40,700[30] (7.9% of total population) in the 75+ bracket, men and women who could opt for assisted living or accommodation in a nursing home. In total there are only around 5,676[31] 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.

[30] National Statistics Office, Population Statistics 2020
[31] Eurostat, 2019

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 estimated at €36 million.

2020

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

2021

All four new blocks at SVPR are fully operational, with bed capacity increasing to 504 and operating at 95% capacity. Additionally, Healthmark is assisting the country with the handling of the pandemic through the provision of nurses and carers at key areas such as swabbing and vaccination centres.

Healthmark is one of Malta's leading independent providers of health and social care services. It focuses on the provision of health and social care services in hospitals and the community. Today, Healthmark has a pool of 316 professional nurses, 381 staff members providing domiciliary care to the elderly and over 1,927 trained care assistants. Throughout the years, Healthmark has grown considerably and has substantially increased the number of staff it employs, with over 450 persons being employed between 2019 and 2021. In fact, having increased its headcount, the Group is now the largest employer of healthcare professionals in Malta.

The company operates in the Nursing Homes & Long-Term Care Facilities Industry and currently provides carers to over 12 homes for the elderly across Malta and Gozo. It also provides 5 government homes for the elderly with nurses to care for their residents. Healthmark further provides caring, support, nursing, home help and clerical services to various government, corporate and private clients. The company has also been the service provider of care workers and support workers at Mater Dei Hospital for the past seventeen years. In the local community, Healthmark provides home care and support services to seniors and to persons who need help at home because of illness or disability. Such support ranges from morning and night-time assistance, personal care, medication support, laundry, cleaning, preparing meals and other household tasks. Healthmark's care services also include specialist services such as supporting persons living with dementia and palliative care.

In 2017, a consortium made up of Malta Healthcare Caterers Ltd and James Caterers Ltd, was awarded a concession on a PPP arrangement for the provision of services at SVPR, a senior living care residence. Malta Healthcare has constructed four new blocks to accommodate an additional 504 residents at SVPR and provides services including nursing, caring, housekeeping, and catering, amongst others, for the additional 504 beds at SVPR under a 15-year agreement. During the past 12 months the blocks were fully completed ahead of schedule despite challenges faced as a result of the pandemic, and are now fully operational at 95% occupancy.

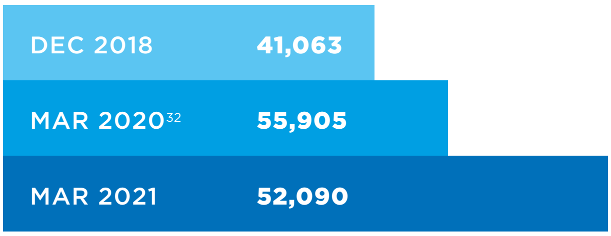
We are proud to state that Healthmark positively contributed towards the tackling of the COVID-19 pandemic in Malta. This was done through our role in the provision of nurses and carers at various key locations, including swabbing centres, vaccination centres, care homes, hospitals and ports of entry such as the Malta International Airport. Having the largest private workforce of healthcare professionals in Malta has allowed us to support the country at a time when such personnel were in great demand and of the utmost importance.

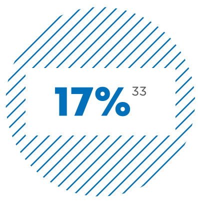
In 2021, the companies constituting the Group's Healthcare Division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited achieved the following results:

2021 RESULTS AND KPIS

Revenue for Healthmark for FY21 was of €52 million, resulting in an increase of 17% when comparing FY21 to the adjusted revenue for FY20 to represent a comparable 12 month period.

REVENUE
(€000s)





CHANGE FY2020/FY2021

[32] In 2020 the financial year was changed from December year-end to March year-end, therefore the financial figures for March 2020 cover a fifteen month period from January 2019 to March 2020.

[33] As FY20 was for a period of 15 months, the revenue for FY20 were adjusted to 12 months for comparative purposes

CONTRACT CATERING

Overview of the Contract Catering Market

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

In the healthcare sector, catering is requested by 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 was driven by the travel restrictions 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 over 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.

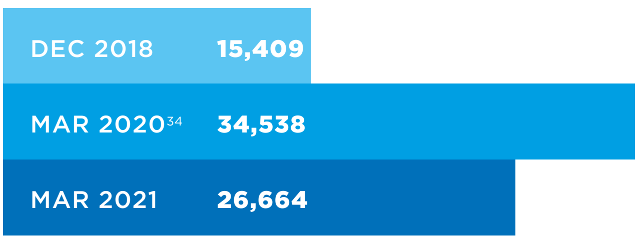
In 2017, under a 10-year catering agreement, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded the continued supply of meals for residents at Saint Vincent de Paul and entrusted with the setting up of an onsite, fully equipped catering centre.

Despite challenges faced throughout the last year, the company increased the number of staff employed and now has a workforce of 170 persons from 21 different countries.

2021 RESULTS AND KPIS

Revenue for FY21 was of €26.7 million compared with €34.5 million in FY20, which covered a period of 15 months. Comparing the average for the 12-month period for both years indicates that the revenue decreased by 4% within these periods. Revenue in 2021 was generated from a different mix when compared to the prior year. Whereas in 2020 the company's income from service concession arrangements included a significant amount relating to construction, in 2021 such income shifted more towards management services.

REVENUE
(€000s)



CHANGE FY2020/FY 2021[35]

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[34] In 2020 the financial year was changed from December year-end to March year-end, therefore the financial figures for March 2020 cover a fifteen month period from January 2019 to March 2020.

[35] As FY20 was for a period of 15 months, the revenue for FY20 were adjusted to 12 months for comparative purposes

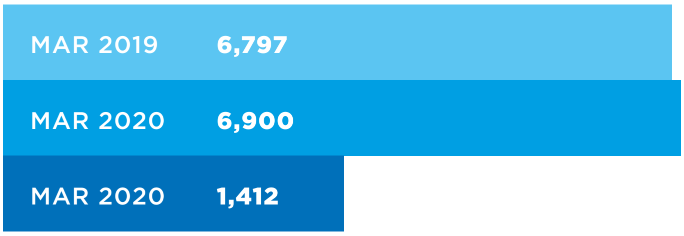
Sky Gourmet Malta Limited

Sky Gourmet services Air Malta - Malta's national airline - Emirates, Ryanair and other top-end carriers on a regular or ad hoc basis. Pre-COVID-19, the company served 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. As expected, a drastic reduction of flights and passengers as a result of the COVID-19 pandemic has negatively affected the sector.

2021 RESULTS AND KPIS

REVENUE

(€000s)



-80%

CHANGE FY2020/FY2021

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 are 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.

Project Pipeline

The Group's major project will be the db City Centre in the Golden Mile, St. Julians, one of Malta's prime seaside hospitality and entertainment 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 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.

The Hard Rock International brand itself is currently present in 68 countries in 241 locations with more than 211 cafés, 35 hotels and 14 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 seven Hard Rock Hotels, these include hotels in Amsterdam, London, Dublin, Davos, Ibiza, Tenerife and Madrid, with an eight hotel to open shortly in Budapest.

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

MOVING FORWARD

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 constituting 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 offering.

In addition, the Group aims to continue to further expand its portfolio of restaurants, providing Malta with high quality, innovative concepts that enhance the country's hospitality offering.

The Group also aims to continue to grow its contract catering and healthcare segments, which have enabled it to balance the significant impact that the pandemic has had on the leisure and hospitality segments of the Group's operations.

db City Centre and Hard Rock Hotel

Going forward, through the creation of the db City Centre which will include a Hard Rock Hotel, the Group shall target the 5-star sector. Around €250 million will be invested in the City Centre project, making it one of the largest private investments made by a single local operator in Malta's history. This project will be pivotal to boost the local economy during the post COVID-19 recovery period. In fact, 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 is geared to complete construction within the shortest possible time period, with the utmost 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.

Expanding the coverage of Starbucks outlets across Malta

Additionally, the Group can now confirm the location of six of the nine new Starbucks outlets which will be opening their doors in the next 12 months. Each of these outlets will be set up in prime locations across Malta, with the first two opening by September 2021. These shall be located at The Quad Business Towers in Mriehel and at the Mellieha Sanctuary Square. Additionally, two other outlets shall welcome customers by November 2021 and will be located in Valletta and PAMA Shopping Village in Mosta. By December, the fifth new outlet for 2021 will open its doors at The Landmark in Qormi. Another outlet is planned to open in May 2022 at the University Campus Hub in Msida. These outlets and their associated investment showcase the Group's commitment towards expanding the Starbucks unique experience across all of Malta.

Growing our restaurant portfolio

We are now also pleased to announce that the Group shall take over and refurbish the Sirens Bistro and pool area in St. Pauls Bay, which will be focused on providing customers with a seaside dining and relaxation experience for families to enjoy. Sonora will open its doors as a poolside restaurant and will also include a gym, spa, and indoor pool.

In addition, on the top floor of the complex, we will open a South American restaurant in March 2022 which will have 250 covers. This restaurant will undoubtedly provide patrons with the highest quality ambience and a vibrant atmosphere which one can expect from the db Group.

Growing our healthcare services

Our growth in the healthcare sector is expected to maintain the healthy momentum it has gained over the last two years, with our role in delivering high quality support services to various government and private entities expected to continue and expand further. Testament to this is our recruitment of roughly 450 health professionals since 2019 alone as well as the breadth of health facilities within which we provide our services. In particular, the Group is committed to providing healthcare resources supporting the public sector to combat the COVID-19 pandemic.


STARBUCKS

ESG AND CORPORATE SUSTAINABILITY

ESG AND CORPORATE SUSTAINABILITY

In light of the rising importance of environmental, social and governance (ESG) matters, in this section of our report, the Group aims to demonstrate its sustainability journey and address the key issues and opportunities within the sector as a whole.

Whilst the pandemic has impacted the global tourism sector heavily, we believe that longer-term success depends on embedding the values of sustainability in the operations of the Group. Our efforts in this regard are explained below, focussing on environmental, social and governance matters respectively.

Environmental matters

As a Group, we have been working to minimise the environmental impact of our operations, with a view to actively encourage responsible tourism. This, we believe, will not only reduce the Group's footprint, but also that of the many individuals passing through our doors.

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

WASTE MANAGEMENT

The management of waste is a key pillar of any company's environmental journey, particularly those operating in the hospitality sector. With the support of clients, the Group has been taking various initiatives to decrease the generation of waste, particularly the use of plastic. To this end, each guest room is equipped with water bottles to encourage guests to refill them from the various water dispensers around our hotels and resorts. Furthermore, branded recycled plastic water bottles are sold to guests who use them during their stay and keep them as a souvenir. In the past year, the Group has also stopped the use of single-use plastic straws. This policy has prevented an estimated 450,000 straws from going to waste each year.

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

ENERGY SAVING

Another key environmental factor relates to energy and its generation. In order to save electricity, the Groups' 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 that are, in turn, connected to the national grid. The installed power factor correction units result in an estimated saving of 7% in energy consumption.

Furthermore, the building management systems serve to centrally manage energy consumption throughout the hotels and in the plant rooms in an automated and efficient manner. Each hotel room is also controlled via a room management system which reduces energy wastage through the use of motion sensors and control switches.

In terms of lighting, 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 systems are made up of a mixture of water-to-water installations (typically for guest rooms) and variable refrigerant flow (VRF) installations (typically for open areas). These technologies provide high energy efficiencies and good temperature control, limiting the consumption associated with cooling.

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. In this respect, the electricity consumption of the Seabank Hotel and San Antonio Hotel is presented below. One immediately notes a significant reduction in consumption, attributed to reduced activity over the past reporting period due to the pandemic

Electricity consumption in kVAh for financial years ending 31 March 2020 and 2021

	FY20	FY21	% change
db Seabank Resort + Spa	5,853,909	2,859,109	-51.2%
db San Antonio Hotel + Spa	4,802,795	3,239,465	-32.6%
Total	**10,656,704**	**6,098,574**	**-42.8%**

WATER SAVING

Hotels and resorts, almost by definition, consume vast amounts of water. That said, db Group has been working towards making its establishments self-sufficient in terms of water consumption. To this end, the Group has invested in reverse osmosis plants at both the Seabank and San Antonio hotels to convert seawater into first class potable water to cater for all guests' needs. These RO units have the capacity to generate more than 150,000 cubic metres of potable water per year, accounting for the vast majority of the water consumed at these establishments.

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. In this respect, the water consumption of the Seabank Hotel and San Antonio Hotel is presented below. Similar to the Group's electricity consumption, the reduction in water consumption is linked to reduced activity over the past reporting period due to the pandemic.

Water consumption in litres for financial years ending March 2020 and 2021

	FY20	FY21	% change
db Seabank Resort + Spa	4,137,000	661,000	-84.0%
db San Antonio Hotel + Spa	15,632	3,289	-78.0%
Total	**4,152,632**	**664,289**	**-84.0%**

SOCIAL MATTERS

The db Group Charity Foundation

The launch of the db Group Charity Foundation in February 2020, has helped the Group focus its philanthropic efforts. Through the foundation, the Group works with various NGOs to help the most vulnerable in society as well as protect the environment.

The aim of the foundation is to allow the Group to give back to the community in a more effective and direct manner. The Foundation will focus on relieving poverty which has continued to be a reality for some in Malta. According to the European Statistics on Income and Living Conditions (EU-SILC), the survey found that 20.1% of the local population were at risk of poverty or social exclusion in 2019, while 9.9% were classified as being materially or socially deprived.

This situation is only likely to deteriorate as the long-term effects of the pandemic become clear, not least because of the economic hardships that many have suffered throughout. In light of this, the Foundation could not have been created at a better time.

It is envisioned that the foundation will initially focus on the needs of its historic and grassroots community, namely Mellieħa. In the future, a strategy will be developed to assess how best to assist the wider community.

As a people-centred organisation, the db Group places its employees, guests and clients at the centre of all we do. From a social perspective, we are committed to:

1. Our people – the Group employs more than 3,500 people;
2. Our guests - the Group caters for over 130,000 bed nights;
3. Our localities and communities - The Group supports organisations across the Maltese islands.

OUR PEOPLE

The Group invests substantial resources in the training of its employees and management staff. Given the circumstances that were faced in the past financial year, the training undertaken was very limited. However, training programmes are envisioned to restart over the coming months. From a people perspective, although many of the Group's establishments were closed due to the pandemic, a decision was taken to retain all members of staff, albeit on a reduced hours basis and irrespective of the wage supplement.

Taking a closer look at the total makeup of the Group's employees, around 65% are female and 35% are male, including individuals from over 35 different nationalities - a very diverse workforce indeed.

From an environmental perspective, management is trained on the environmental effects of tourism while 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, members of staff are 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 whereby their role is to monitor and help with the implementation of environmentally-friendly procedures throughout the resorts and hotels, coach other staff members, report any malpractices and suggest improvements.

OUR GUESTS

By committing to excellence, the vision of the Group is to be rated by guests as amongst the best in Europe. Through its operational practices and standards, the db Group has created various quality management systems to help deliver on its purpose. The aim is to delight customers and develop relationships with all suppliers whilst ensuring that quality is delivered. This is monitored against the requirements of our customers' needs/expectations, our internal working systems and all applicable statutory and regulatory requirements. Progress against set goals and measurable targets is monitored and evaluated through a Management Review process.

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. Given that music events and village feasts are an integral part of Maltese culture, the Group has worked hard to support the Mellieħa village feast directly.

Historically, our community outreach programmes have evolved and grown in parallel with the Group's growth. While we regularly participate in and contribute to activities and initiatives across the island, social events have largely been limited in light of social distancing restrictions. As a result, the Group has worked to financially support a number of organisations, including the Malta Community Chest Fund, Caritas, Dar tal-Providenza and Malta Trust Foundation.

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 publicly listed, 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 with regards 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 the independent non-executive director of the Company and is considered by the Board to be competent in accounting and/or auditing in terms of the Listing Rules.

The Board of Directors of the Issuer and the Guarantor

SD Finance plc's Board of Directors is composed of the following directors: Mr Silvio Debono, Mr Robert Debono and Mr Arthur Gauci, and also includes 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 eight directors, namely, Ms Victoria Debono, Mr Vincent Degiorgio, Mr Jesmond Vella, Mr Silvio Debono, Mr Robert Debono, Mr Alan Debono, Mr David Debono and Mr Arthur Gauci.

SD HOLDINGS LIMITED

(C40318)

Annual Report and Consolidated Financial Statements

31 March 2021

DIRECTOR'S REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2021.

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 Ghadira Bay Mellieha and the db San Antonio Hotel & SPA situated in Bugibba. It also operates and owns the restaurant amenities at the Adeera Complex in Mellieha Bay, AKI Restaurant in Valletta, Nine Lives in Bugibba 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

The COVID-19 pandemic materially impacted the Group's performance for 2021 as was the case all over the world, especially in the hospitality, leisure and catering sectors. Accommodation and catering outlets were severely disrupted at different stages of the year, with various restrictions imposed by the Health Authorities during times of operation.

Total revenue for the Group during the year under review reached €17.3 million resulting in a year on year decrease of €42 million (-70.9%). The decrease in revenue reflected itself in earnings before interest, tax, depreciation and amortisation (EBITDA) factoring in at €5.6 million as against €27.6 million registered for 2020 (-79.7%). These results brought down the margin of profit or return on turnover generated to 32%, when compared to 47% during 2020. Given the pandemic situation, these results are encouraging and came about following various measures taken by the Group to keep its costs in check. Additionally, Government payroll grants received cushioned the effect on employee benefit expense while retaining most of its employees.

Consequently, the year 2021 resulted in a loss after tax of €2.1 million when compared to a net profit of €12.2 million the previous year. The overall hotel portfolio occupancy dropped down to 15% when compared to 81% in 2020 and this is hardly surprising when both hotels had to close for two separate periods during the year. Seabank was closed between April and June 2020 and between November 2020 and March 2021, while San Antonio was closed between April and June of last year. This was further accentuated by the substantial curtailment of flights flying into Malta and with the Malta International Airport closed for the first two months of the financial year.

DIRECTOR'S REPORT continued

Review of business continued

Meanwhile the food and beverage sector also experienced lower turnover figures, however, the drop was moderate when compared to accommodation. Turnover for the year reached €8.2 million (€ 14.1 million in 2020) and now includes a new restaurant in Valletta and the Starbucks outlet in Bugibba. Merchandise turnover also experienced a sharp drop of around 74% on a year-on-year basis and this was mainly due to the closure of Hard Rock outlet at Baystreet, which to date has not yet been replaced together with a lack of cruise liner business and passenger throughput at the airport.

The Group's balance sheet value now factors in at €328 million as against a comparative of €325 million in 2020. The Group's equity base saw it decreasing by €6.1 million which is a direct result of the net loss of €2.1 million and dividends of €4 million. As a result, the Group's gearing ratio factored in at 27.9% as against 25.9% for 2020.

The interest rate cover now stands at 1 multiple against a 7 multiple in the prior year mainly as a result of lower revenues of €42 million when compared to previous year.

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

Outlook for the financial year ending 2022

The COVID-19 pandemic is continuing to wreak havoc in the accommodation and leisure components of the industry. Following the opening of international travel in July 2021, a surge of new cases was experienced in Malta and abroad which somehow stifled bookings and travelling. However, what is encouraging is that while cases increased exponentially, not so where hospital admissions in countries where vaccination uptake is high among its population. This is the case in Malta. The authorities are doing their utmost to have a high percentage of its population inoculated as this is one way of making sure that this pandemic remains under control. Additional measures in place at the points of entry in the country will also keep any potential new cases in check.

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.

DIRECTOR'S REPORT continued

Outlook for the financial year ending 2022 continued

The Group is looking at a moderate improvement in accommodation bookings in the following months which is expected to improve as the months go by thus returning to profitability by the end of the financial year. On the other hand, results from our catering establishments are more upbeat and encouraging. The situation is expected to improve with the advent of more incoming tourists and the gradual easing of health-related restrictions. The Group expects to be opening up additional Starbucks units bringing the total in operation up to ten by the end of the current fiscal year. A further two restaurants are also due to open during the course of this year. Suffice to say that all employees are now back on a 40-hour working week. The Maltese Government continues to respond with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

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, the opening in July 2020 of the new 504-bed wing at the Saint Vincent de Paul Residence which will be run and managed by one of the Group's associated companies, helped to mitigate the negative impact experienced in other sectors within the Group.

The Group has prepared projections for the coming three years, based on historical financial information and forecasts, but factoring in the gradual return to normality following the mayhem created by the COVID-19 pandemic. The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €32 million. The Group also utilised 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. The projections contemplate the existence of a significant liquidity buffer at the end of the year notwithstanding the expected adverse financial results. The Directors feel confident that with the measures taken and the secured financing arrangements, the Group shall overcome the disruptions brought about by this pandemic. On this basis, the directors are of the opinion that the going concern assumption in the preparation of these consolidated financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Group to continue operating as a going concern.

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 2021. 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 2022 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.

DIRECTOR'S REPORT continued

Results and dividends

The consolidated financial results are set out on page 13. The directors have declared a net dividend of €4,000,000 (2020: NIL).

Retained earnings carried forward at the end of the financial reporting period for the Group and the company amounted to €39,909,845 (2020: €46,326,706) and €16,602,309 (2020: €19,940,588).

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 pressure that the Group and the Parent Company will continue in business as a going concern.

DIRECTOR'S REPORT continued

Statement of directors' responsibilities for the financial statements

continued

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

The financial statements of SD Holdings Limited for the year ended 31 March 2021 are included in the Annual Report and Consolidated Financial Statements 2021, which is published in hard-copy printed form and made available on the Group's website. The directors of the entities constituting the db Group are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

SILVIO DEBONO
Director

ROBERT DEBONO
Director

Registered office:
db Seabank Resort & Spa
Marfa Road, Mellieha Bay
Mellieha, Malta

30 July 2021

Independent auditor's report

To the Shareholders of SD Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The 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 of SD Holdings Limited as at 31 March 2021, 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 132 to 194, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2021;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 1.1 to these financial statements that explains the impact of COVID-19 on the Group's operations and to Note 4 to these financial statements that describes the related uncertainties on the Group's property valuations as at 31 March 2021 and the related uncertainties in this regard. These matters are 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 these matters.

Other information

The directors are responsible for the other information. The other information comprises 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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the Report on other legal and regulatory requirements.

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.

Responsibilities of the directors for the financial statements

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

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's 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 Group's and the Parent company's trade, customers and suppliers, and the disruption to their business and the overall economy.

pwc

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements - continued

- 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

The Annual Report and Financial Statements 2021 contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the Other information section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 120 to 124) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the Other information section.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers
78 Mill Street
Zone 5, Business District
Qormi CBD 5090
Malta

Stefan Bonello
Partner

30 July 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH

		GROUP		COMPANY	
		2021	2020	**2021**	2020
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**187,209,837**	193,547,993	**-**	-
Investment property	5	**78,049,862**	74,898,044	**-**	-
Intangible assets	6	**890,439**	909,127	**-**	-
Investments in subsidiaries	7	**-**	-	**36,512,741**	36,512,741
Investments in associates	8	**11,556,153**	9,368,405	**5,460**	5,460
Right-of-use assets	9	**6,207,914**	6,150,948	**-**	-
Deferred tax assets	10	**3,986,163**	1,392,474	**-**	-
Trade and other receivables	11	**210,168**	100,435	**26,321,039**	17,000,000
Total non-current assets		**288,110,536**	286,367,426	**62,839,240**	53,518,201
Current assets					
Inventories	12	**1,335,234**	1,764,184	**-**	-
Trade and other receivables	11	**7,198,883**	10,803,758	**2,466,453**	2,099,864
Cash and cash equivalents	13	**31,819,565**	25,770,964	**26,502,324**	20,344,084
Total current assets		**40,353,682**	38,338,906	**28,968,777**	22,443,948
Total assets		**328,464,218**	324,706,332	**91,808,017**	75,962,149

STATEMENTS OF FINANCIAL POSITION continued

		AS AT 31 MARCH			
		GROUP		COMPANY	
		2021	2020	**2021**	2020
	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	**74,228,964**	74,354,642	**-**	-
Other reserves	16	**12,930,164**	12,930,164	**-**	-
Retained earnings		**40,344,641**	46,326,706	**16,602,309**	16,940,588
Total equity		**131,503,769**	137,611,512	**20,602,309**	20,940,588
Non-current liabilities					
Trade and other payables	17	**60,767,444**	61,378,708	**-**	-
Borrowings	18	**79,902,832**	71,615,862	**10,809,140**	1,488,101
Deferred Government grants	19	**-**	4,820	**-**	-
Deferred tax liabilities	10	**17,588,638**	20,154,800	**-**	-
Lease liabilities	20	**5,927,221**	5,751,061	**-**	-
Total non-current liabilities		**164,186,135**	158,905,251	**10,809,140**	1,488,101
Current liabilities					
Trade and other payables	17	**29,132,730**	23,636,826	**59,712,703**	53,530,859
Borrowings	18	**2,641,489**	2,191,860	**678,960**	-
Deferred Government grants	19	**4,820**	4,821	**-**	-
Lease liabilities	20	**581,289**	540,924	**-**	-
Current tax liabilities		**413,986**	1,815,138	**4,905**	2,601
Total current liabilities		**32,774,314**	28,189,569	**60,396,568**	53,533,460
Total liabilities		**196,960,449**	187,094,820	**71,205,708**	55,021,561
Total equity and liabilities		**328,464,218**	324,706,332	**91,808,017**	75,962,149

The notes on pages 140 to 194 are an integral part of these financial statements.

The financial statements on pages 132 to 194 were authorised for issue and signed by the board of directors on 30 July 2021 and were signed on its behalf by:

SILVIO DEBONO
Director

ROBERT DEBONO
Director

INCOME STATEMENTS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Revenue	21	**17,250,765**	59,323,674	**-**	-
Cost of sales	22	**(19,902,139)**	(40,267,291)	**-**	-
Gross (loss)/profit		**(2,651,374)**	19,056,383	**-**	-
Selling expenses	22	**(99,380)**	(300,831)	**-**	-
Administrative expenses	22	**(2,975,879)**	(4,002,950)	**(11,345)**	(13,216)
Movement in credit loss allowances		**-**	264,914	**-**	-
Gain on disposal of intellectual property		**-**	-	**-**	16,990,000
Investment income	24	**-**	-	**4,000,000**	-
Other operating income	25	**327,861**	1,432,104	**18,750**	-
Operating (loss)/profit		**(5,398,772)**	16,449,620	**4,007,405**	16,976,784
Finance income	26	**15,506**	-	**125,405**	77,742
Finance costs	26	**(3,929,155)**	(3,742,075)	**(74,357)**	(69,556)
Share of results of associates	8	**2,187,748**	1,911,119	**-**	-
(Loss)/profit before tax		**(7,124,673)**	14,618,664	**4,058,453**	16,984,970
Tax credit/(expense)	27	**5,016,930**	(2,438,959)	**(396,732)**	(2,801)
(Loss)/profit for the year		**(2,107,743)**	12,179,705	**3,661,721**	16,982,169

The notes on pages 140 to 194 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
(Loss)/profit for the year		**(2,107,743)**	12,179,705	**3,661,721**	16,982,169
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
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		**(2,107,743)**	5,029,705	**3,661,721**	16,982,169

The notes on pages 140 to 194 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Notes	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
		ATTRIBUTABLE TO OWNERS OF THE PARENT				
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		-	-	-	12,179,705	12,179,705
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 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

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

	Notes	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
		€	€	€	€	€
Balance at 1 April 2020		4,000,000	74,354,642	12,930,164	46,326,706	137,611,512
Comprehensive income						
Loss for the year		-	-	-	(2,107,743)	(2,107,743)
Other comprehensive income:						
Depreciation transfer through asset use, net of deferred tax		-	(125,678)	-	125,678	-
Total other comprehensive income		-	(125,678)	-	125,678	-
Total comprehensive income		-	(125,678)	-	(1,982,065)	(2,107,743)
Transactions with owners:						
Dividend pain to shareholder	29	-	-	-	(4,000,000)	(4,000,000)
Total transactions with owners		-	-	-	(4,000,000)	(4,000,000)
Balance at 31 March 2021		**4,000,000**	**74,228,964**	**12,930,164**	**40,344,641**	**131,503,769**

STATEMENTS OF CHANGES IN EQUITY continued

COMPANY

	Note	Share capital	Retained earnings	Total
		€	€	€
Balance at 1 April 2019		4,000,000	(41,581)	3,958,419
Comprehensive income				
Loss 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
Comprehensive income				
Profit for the year				
– total comprehensive income		-	3,661,721	3,661,721
Total comprehensive income		-	**3,661,721**	**3,661,721**
Transactions with owners				
Dividend paid to shareholders	29	-	(4,000,000)	(4,000,000)
Total transactions with owners		-	**(4,000,000)**	**(4,000,000)**
Balance at 31 March 2021		**4,000,000**	**16,602,309**	**20,602,309**

The notes on pages 140 to 194 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
	Notes	2021	2020	2021	2020
		€	€	€	€
Cash flows from operating activities					
Cash generated from operations	30	189,922	28,706,783	6,501,620	16,485,996
Net interest (paid)/received		(3,836,185)	(3,745,507)	51,048	8,186
Tax paid		(1,544,073)	(300,151)	(394,428)	(200)
Net cash generated (used in)/ generated from operating activities		(5,190,336)	24,661,125	6,158,240	16,493,982
Cash flows from investing activities					
Payments for property, plant and equipment		(2,416,777)	(7,891,790)	-	-
Proceeds from disposal of property, plant and equipment		39,682	4,258	-	-
Payments for investment property and related property development expenditure		(744,780)	(1,041,331)	-	-
Payments for intangible assets		(25,000)	(890,478)	-	-
Consideration paid for investments in subsidiaries and associates		-	(60)	-	(600,060)
Advances to subsidiaries		-	-	(9,999,999)	-
Divided received from associate		-	300,000	-	-
Net cash used in investing activities		(3,146,875)	(9,519,401)	(9,999,999)	(600,060)
Cash flows from financing activities					
Proceeds from bank borrowings		10,557,733	1,079,608	9,999,999	-
Repayments of bank borrowings		(1,063,996)	(1,750,950)	-	-
Advances from associates		6,542,133	-	-	-
Principal elements of lease payments		(477,410)	(518,830)	-	-
Net cash generated from/(used in) financing activities		15,558,460	(1,190,172)	9,999,999	-
Net movements in cash and cash equivalents		7,221,249	13,951,552	6,158,240	15,893,922
Cash and cash equivalents at beginning of year		24,360,832	10,409,280	20,344,084	4,450,162
Cash and cash equivalents at end of year	13	31,582,081	24,360,832	26,502,324	20,344,084

The notes on pages 140 to 194 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, which was the primary factor leading to the loss for the year, the Group has prepared projections for the coming three years based on historical financial information and forecasts, but factoring in the gradual return to normality following the mayhem created by the COVID-19 pandemic. The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €32 million. The Group also utilised 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 27.8% as at 31 March 2021, 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 2021 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 significant 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 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, not impacting the Group's financial performance and position.

1. Summary of significant accounting policies continued

1.1 Basis of preparation continued

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 2020. 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.

1.2 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.

1. Summary of significant accounting policies continued

1.2 Consolidation continued

(a) Subsidiaries continued

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.

(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.

1. Summary of significant accounting policies continued

1.2 Consolidation continued

(b) Associates continued

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.

1.4 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).

1. Summary of significant accounting policies continued

1.4 Property, plant and equipment continued

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.

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. Summary of significant accounting policies continued

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.

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. Summary of significant accounting policies continued

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.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful like 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. Summary of significant accounting policies continued

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.

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.

1. Summary of significant accounting policies continued

1.8 Financial assets continued

(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.

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.

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

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

(c) 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 group undertakings are the lessee

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 group undertakings are 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.

(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

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The parent company's directors provide principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The group undertakings did not make use of derivative financial instruments during the current and preceding financial years.

(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	**2021**	2020	**2021**	2020
		€	€	**€**	€
Financial assets measured at amortised cost:					
Trade and other receivables	11	**4,839,613**	7,191,350	**28,785,696**	19,096,337
Cash and cash equivalents	13	**31,582,081**	24,360,832	**26,502,324**	20,344,084
		36,421,694	31,552,182	**55,288,020**	39,440,421

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 exposures actively in a practicable manner such that amounts receivable are within controlled parameters. The credit quality of the group's receivables, which are not impaired or past due financial assets, reflects the nature of these assets which are principally debts in respect of transactions with counterparties for whom there is no history of default. Management does not expect any losses from non-performance by these parties. As at 31 March 2021, the group holds collateral in the form of bank guarantees for an amount of €1,000,000 (2020: €1,000,000) as security for the related advance payments to suppliers.

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.

As a result of the outbreak of COVID-19, the Group engaged in routine monitoring of the account activity and repayment patterns of its receivables. For this purpose, customers were subjected to more rigorous monitoring. The Group has not experienced a material shift in repayment patterns attributable to its customers post the COVID-19 outbreak, with no significant deterioration in collection rates detected. The Group has also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the Group and accordingly on their repayment ability. As a result of these assessments, at 31 March 2021, the Group determined that the level of expected credit losses has not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of trade receivables.

2. Financial risk management continued

2.1 Financial risk factors continued

On that basis, the loss allowance for the group as at 31 March 2021 and 2020 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 2021						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	-
Gross carrying amount (€)	18,496	47,865	76,391	13,307	1,487,651	1,643,710
Loss allowance (€)	740	526	1,146	371	405,938	408,721
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

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 2021 and 2020, 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.

2. Financial risk management continued

2.1 Financial risk factors continued

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 2021 and 2020.

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.

(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.

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 years	Over 5 years	Total
	€	€	€	€	€
GROUP					
At 31 March 2021					
Bonds	**2,827,500**	**2,827,500**	**8,482,500**	**70,655,000**	**84,792,500**
Bank borrowings	**3,164,826**	**4,510,802**	**11,849,810**	**112,974**	**19,638,412**
Amounts due to Government in relation to purchase of land	**4,420,651**	**2,991,080**	**6,116,098**	**162,550,347**	**176,078,176**
Lease liabilities	**784,372**	**733,321**	**1,542,889**	**5,190,382**	**8,250,964**
Trade and other payables	**19,400,876**	**-**	**-**	**-**	**19,400,876**
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	836,350	753,538	1,606,925	4,975,099	8,171,912
Trade and other payables	15,050,782	-	-	-	15,050,782
COMPANY					
At 31 March 2020					
Bank loans	**921,338**	**2,310,000**	**7,496,798**	**-**	**10,728,136**
Loan from subsidiary	67,709	67,709	203,126	1,623,518	1,962,062
Trade and other payables	59,712,703	-	-	-	59,712,703
At 31 March 2019					
Loan from subsidiary	-	67,709	203,126	1,691,227	1,962,062
Trade and other payables	53,530,859	-	-	-	53,530,859

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	
	2021	2020
	€	€
Total external borrowings	**82,544,321**	73,807,722
Less: cash at bank and in hand	**(31,819,565)**	(25,770,964)
Net debt	**50,724,756**	48,036,758
Equity – as shown in the consolidated statement of financial position	**131,503,769**	137,611,512
Total capital	**182,228,525**	185,648,270
Net debt/total capital	**27.8%**	25.9%

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 2021 and 2020 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 2021, 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 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 15)	(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**
Year ended 31 March 2021							
Opening net book amount	154,919,421	1,356,084	331,536	27,865,367	8,936,592	138,993	193,547,993
Additions	195,376	766,617	130,294	827,827	406,747	55,060	2,381,921
Commissioned assets	372,871	(1,023,410)	-	586,553	63,986	-	-
Disposals	(172,647)	-	(168,774)	(860,238)	(906,386)	(99,602)	(2,207,647)
Reclassification of payments on account to receivables	-	(510,000)	-	-	-	-	(510,000)
Depreciation charge	(802,462)	-	(140,481)	(5,352,487)	(1,763,981)	(75,797)	(8,135,208)
Depreciation release on disposals	172,647	-	165,245	860,238	903,856	30,792	2,132,778
Closing net book amount	**154,685,206**	**589,291**	**317,820**	**23,927,260**	**7,640,814**	**49,446**	**187,209,837**
At 31 March 2021							
Cost or valuation	157,231,347	589,291	1,382,084	57,672,334	17,688,347	687,954	235,251,357
Accumulated depreciation	(2,546,141)	-	(1,064,264)	(33,745,074)	(10,047,533)	(638,508)	(48,041,520)
Net book amount	**154,685,206**	**589,291**	**317,820**	**23,927,260**	**7,640,814**	**49,446**	**187,209,837**

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 Group's operations. The 2020 valuation reassessment was primarily based on revised projected income streams which take into consideration a lower business activity in the forthcoming 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 as at 31 March 2020 and debited to the revaluation reserve, net of applicable deferred income taxes.

As at 31 March 2021, the directors performed a similar assessment to that performed in the preceding year taking into consideration how the COVID-19 pandemic developed and how this impacted the group's business activities. Accordingly, the 2021 valuation reassessment was based on updated projected income streams taking into consideration the experiences of 2020, together with a gradual increase in the business activity in the next few years, until reaching a normalised level of business by 2025. The assumptions for the 2021 assessment did not result in any material impact on the group's property fair value and the directors are of the opinion that the related carrying amount as at 31 March 2021 is not materially different from the respective fair value.

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 a number of months as imposed by the Health Authorities. At the date that these financial statements have been authorised for issue, the group hotels have gradually picked up some sustainable business activity. The projections have been updated in view of developments and for the financial year ending 31 March 2022 an EBITDA of 31% 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.

4. Property, plant and equipment continued

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

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

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

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

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

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.

4. Property, plant and equipment continued

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 assessments performed by the directors as at 31 March 2020 and 2021 were also performed 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 2021

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)	**181,000**	DCF approach	EBITDA (aggregate for both hotels)	€7,614,000 in 2022 increasing gradually until reaching €20,147,000 in 2025
			Growth rate	2% after 2024
			Discount rate	7.9% (post-tax)

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)

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 2021 and 2020, 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:

	2021	2020
	€	€
Cost	**71,473,436**	70,905,189
Accumulated depreciation	**(5,274,990)**	(4,838,526)
Net book amount	**66,198,446**	66,066,663

5. Investment property

	GROUP	
	2021	2020
	€	€
Year ended 31 March		
Opening cost and carrying amount	**74,898,044**	71,553,630
Additions resulting from subsequent expenditure	**3,151,818**	3,344,414
Closing cost and carrying amount	**78,049,862**	74,898,044

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 (refer to Note 34).

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

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land and related project. The additions, disclosed in the table above, also include capitalised borrowings costs of €1,748,640 (2020: €1,737,997) mainly representing the imputed interest component on the amounts due to the Government (refer to Note 17) and other capitalised interest costs of €329,199 (2020: €282,543). A weighted average capitalisation rate of 3.5% (2020: 3.5%) was utilised in this respect.

As at 31 March 2021 and 2020, following an assessment by the directors, the fair value of the property is deemed to fairly approximate its carrying amount.

6. Intangible assets

	GROUP	
	2021	2020
Franchise license rights	**€**	€
Year ended 31 March		
Opening net book amount	**909,127**	287,605
Additions	**25,000**	890,478
Amortisation charge	**(43,688)**	(268,956)
Closing net book amount	**890,439**	909,127
At 31 March		
Cost	**3,924,112**	3,899,112
Accumulated amortisation	**(3,033,673)**	(2,989,985)
Net book amount	**890,439**	909,127

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	
	2021	2020
	€	€
Year ended 31 March		
Opening cost and carrying amount	**36,512,741**	35,912,741
Additions	**-**	600,000
Closing cost and carrying amount	**36,512,741**	36,512,741

Additions during the preceding 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 also made during the prior 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.

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 2021	2020
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%

7. Investments in subsidiaries continued

	Registered office	Class of shares held	Percentages of shares held 2021	2020
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 *(in dissolution)*	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 Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary shares	**100%**	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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Year ended 31 March				
Opening carrying amount	**9,368,405**	7,757,226	**5,460**	5,400
Additions	**-**	60	**-**	60
Share of results	**2,187,748**	1,911,119	**-**	-
Dividend received	**-**	(300,000)	**-**	-
Closing carrying amount	**11,556,153**	9,368,405	**5,460**	5,460
At 31 March				
Cost	**1,680,323**	1,680,323	**5,460**	5,460
Share of results and reserves	**9,875,830**	7,688,082	**-**	-
Closing carrying amount	**11,556,153**	9,368,405	**5,460**	5,460

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 2021	2020
DP Road Construction Limited	Seabank Hotel, Marfa Road, Għadira Bay, Mellieħa, Malta	Ordinary A shares Ordinary C shares	**45%** **25%**	45% 25%
Malta Healthcare Caterers Limited	BLB 009Y - The Food Factory 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 2021	2020
Sky Gourmet Malta Inflight Services Limited	Old Terminal Building, St. Thomas Road, Luqa, Malta	Ordinary shares	**30%**	30%
Sky Gourmet Malta Limited	Old Terminal Building, St. Thomas Road, Luqa, 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%**	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.

8. Investments in associates continued

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.

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 2021	As at 31 March 2020	**As at 31 March 2021**	As at 31 March 2020
	€	€	**€**	€
Non-current assets	**32,943,773**	28,477,941	**88,668**	163,207
Current assets	**49,262,118**	40,585,544	**2,340,382**	3,909,498
Non-current liabilities	**(34,153,230)**	(23,290,968)	**-**	(24,577)
Current liabilities	**(31,243,926)**	(33,558,564)	**(1,194,784)**	(2,592,549)
Net assets	**16,808,735**	12,213,953	**1,234,266**	1,455,579

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	
	Year ended 31 March 2021	15 months ended 31 March 2020	**Year ended 31 March 2021**	Year ended 31 March 2020
	€	€	**€**	€
Revenue	**78,753,891**	90,443,168	**1,411,584**	6,900,256
Profit/(loss) for the year				
- total comprehensive income	**4,594,782**	3,516,302	**(221,313)**	454,444

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	(Loss)/Profit
	€	€	€	€
2021				
Porto Azzurro Limited	745,822	(439,409)	59,356	(43,783)
Sky Gourmet Malta Inflight Services Limited	134,608	(1,987)	83,463	534
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

DB Gauci Shopping Mall Limited, Porto Azzurro Resort Club Limited and JSSR Turnkey Projects Limited are considered by the directors to be a 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 Group leases a number of immovable properties and motor vehicles; which leases are deemed to be within scope of IFRS 16 'Leases'.

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

	Note	Properties	Motor vehicles	Total
		€	€	€
1 April 2019		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**
1 April 2020		6,051,407	99,541	6,150,948
Additions		653,440	82,694	736,134
Impact of derecognition of leased assets		-	(17,938)	(17,938)
Amortisation charge	22	(631,684)	(29,546)	(661,230)
As at 31 March 2021		**6,073,163**	**134,751**	**6,207,914**

9. Right-of-use assets continued

The income statement reflects the following amounts relating to leases:

	2021	2020
	€	€
Amortisation charge of right-of-use assets	661,230	463,609
Interest expense (included in finance costs) (Note 26)	320,352	196,258
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) (Note 22)	41,788	315,472
Rent rebates in relation to COVID-19 (Note 20)	(344,137)	-

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	
	2021	2020
	€	€
Year ended 31 March		
At beginning of year	(18,762,326)	(20,894,857)
Credited/(charged) to profit or loss (Note 27):		
Unabsorbed capital allowances	2,462,932	19,861
Utilised investment tax credits	7,917	(2,085,089)
Unutilised trading losses	2,682,552	-
Temporary differences on intra-group transactions	-	9,266
Temporary differences on property, plant and equipment and provisions for credit loss allowances	(108,661)	180,780
Temporary differences on right-of-use assets	41,076	49,081
Realisation through asset use	76,940	108,632
Unrecognised deferred tax in prior year	(2,905)	-
Charged to other comprehensive income (Note 15):		
Deferred tax on movements in revaluation surplus on land and buildings arising during the year (Note 15)	-	3,850,000
At end of year	(13,602,475)	(18,762,326)

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	
	2021	2020
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**2,482,793**	19,861
Investment tax credits	**1,176,602**	1,168,685
Unutilised trading losses	**2,682,552**	-
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,298,866)**	(5,254,974)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(14,788,540)**	(14,788,540)
Taxable temporary differences arising from intra-group transactions	**(90,225)**	(99,491)
Taxable temporary differences arising from right-of-use assets	**90,157**	49,081
Deductible temporary differences on provisions for credit loss allowances	**143,052**	143,052
	(13,602,475)	(18,762,326)
Disclosed as follows:		
Deferred tax assets	**3,986,163**	1,392,474
Deferred tax liabilities	**(17,588,638)**	(20,154,800)
	(13,602,475)	(18,762,326)

11. Trade and other receivables

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Amounts owed by subsidiaries	**-**	-	**26,321,039**	17,000,000
Other receivables	**210,168**	100,435	**-**	-
	210,168	100,435	**26,321,039**	17,000,000
Current				
Trade receivables	**1,643,710**	4,212,295	**-**	-
Less: credit loss allowances	**(408,721)**	(408,721)	**-**	-
	1,234,989	3,803,574	**-**	-
Advance payments to suppliers	**1,260,655**	2,286,938	**-**	-
Amounts owed by shareholder	**-**	26,206	**-**	259,156
Amounts owed by subsidiaries	**-**	-	**705,880**	108,927
Amounts owed by associates	**2,342,182**	2,275,416	**1,723,392**	1,728,254
Amounts owed by other related parties	**166,780**	145,013	**25,000**	-
Other receivables	**885,494**	840,706	**10,385**	-
Indirect taxation	**73,655**	278,990	**1,796**	3,527
Prepayments	**1,235,128**	1,146,915	**-**	-
	7,198,883	10,803,758	**2,466,453**	2,099,864

11. Trade and other receivables continued

Non-current amounts owed by subsidiaries include an amount of €17,000,000 relating 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. Other non-current amounts owed by subsidiaries of €9,321,039 (2020: nil) are unsecured, subject to interest of 2.5% plus 3-month Euribor, subject to a subsidy of 2.4% for the first two years, in line with the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB). Accordingly, the effective interest rate as at 31 March 2021 is of 0.1% and are repayable as follows:

	COMPANY	
	2021	**2020**
	€	**€**
Between 1 and 2 years	**2,098,005**	-
Between 2 and 5 years	**7,223,034**	-
	9,321,039	-

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

As at 31 March 2021, advance payments to suppliers are supported by collateral in the form of bank guarantees for an amount of €1,000,000 (2020: €1,000,000) as security for the related services that are due to a subsidiary.

Included in other receivables is a payroll grant receivable from the Government amounting to €171,915 (2020: €234,078) relating to the COVID-19 pandemic schemes.

12. Inventories

	GROUP	
	2021	2020
	€	€
Food and beverage	**475,959**	867,624
Merchandise	**559,349**	588,441
Consumables and other inventory	**299,926**	308,119
	1,335,234	1,764,184

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash at bank and in hand	**31,819,565**	25,770,964	**26,502,324**	20,344,084
Bank overdrafts (Note 18)	**(237,484)**	(1,410,132)	**-**	-
	31,582,081	24,360,832	**26,502,324**	20,344,084

14. Share capital

	COMPANY	
	2021	2020
	€	€
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

	GROUP	
	2021	2020
	€	€
Year ended 31 March		
At beginning of year	**74,354,642**	81,706,384
Reversal of revaluation surplus on land and buildings arising during the year (Note 4)	**-**	(11,000,000)
Deferred tax on reversal of revaluation surplus on land and buildings arising during the year (Note 10)	**-**	3,850,000
Transfer upon realisation on through asset use, net of deferred tax	**(125,678)**	(201,742)
At end of year	**74,228,964**	74,354,642

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	
	2021	2020
	€	€
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 preference shares redeemed by a subsidiary in accordance with Article 115 of the Maltese Companies Act (Cap. 386). The capital redemption reserve may be applied in paying up unissued shares to be issued to members as fully paid bonus shares. These redemptions took place in prior years. The preference shares redeemed were attributable to non-controlling interest.

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Amounts due to Government in relation to purchase of land	**48,013,184**	49,255,625	**-**	-
Deferred income arising on long term rights of use sales	**12,754,260**	12,123,083	**-**	-
	60,767,444	61,378,708	**-**	-
Current				
Trade payables	**3,524,196**	6,733,413	**-**	-
Amounts due to Government in relation to purchase of land	**4,420,651**	1,429,571	**-**	-
Payables and accruals with respect to capital expenditure	**1,064,206**	1,099,062	**-**	-
Contract liabilities - Advance deposits from tour operators and other third parties	**1,846,005**	3,419,742	**-**	-
Amounts owed to shareholder	**973,685**	-	**972,897**	-
Amounts owed to subsidiaries	**-**	-	**55,935,978**	51,670,552
Amounts owed to associates	**11,465,668**	4,923,535	**-**	-
Amounts owed to other related parties	**643,478**	663,804	**2,798,342**	1,830,941
Other payables	**144,344**	139,803	**898**	18,785
Indirect taxation and social security	**824,792**	1,106,240	**-**	-
Accrued interest payable to bond holders	**2,640,406**	2,630,491	**-**	-
Other accruals	**1,585,299**	1,491,165	**4,588**	10,581
	29,132,730	23,636,826	**59,712,703**	53,530,859

17. Trade and other payables continued

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

The maturity of this liability is as follows:

	GROUP	
	2021	2020
	€	€
Due within 1 year	**4,420,652**	1,429,571
Due between 1 and 2 years	**2,991,080**	2,991,080
Due between 2 and 5 years	**6,116,098**	7,544,670
Due after more than 5 years	**162,550,347**	164,112,856
	176,078,177	176,078,177
Less: imputed interest component	**(123,644,342)**	(125,392,981)
	52,433,835	50,685,196

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 (2020: €1,488,101) owed by a subsidiary to the parent company which are subject to interest at 4.8% (2020: 4.8%). All the other amounts are interest free.

18. Borrowings

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Bank loans	**15,501,822**	7,301,163	**9,321,039**	-
Loan from subsidiary	**-**	-	**1,488,101**	1,488,101
650,000 4.35% Bonds 2017 - 2027	**64,401,010**	64,314,699	**-**	-
	79,902,832	71,615,862	**10,809,140**	1,488,101
Current				
Bank overdrafts (Note 13)	**237,484**	1,410,132	**-**	-
Bank loans	**2,404,005**	781,728	**678,960**	-
	2,641,489	2,191,860	**678,960**	-
Total borrowings	**82,544,321**	73,807,722	**11,488,100**	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 2021 and 2020 for the bonds was €101.50 and €98 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 (2020: €535,000) 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:

	2021	2020
	€	€
Original face value of bonds issued	**65,000,000**	65,000,000
Bond issue costs	**(924,036)**	(924,036)
Accumulated amortisation	**325,046**	238,735
Closing net book amount of bond issue costs	**(598,990)**	(685,301)
Amortised cost and closing carrying amount of the bonds	**64,401,010**	64,314,699

Bank borrowings

During 2021, SD Holdings Limited successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB). These loans were then advanced to various components within the db Group at the same terms and conditions as issued by the respective bank. In this respect, SD Holdings Limited advanced €5,324,490 to Seabank Hotel and Catering Limited, €3,287,766 to Hotel San Antonio Limited and €1,387,743 to Sea Port Franchising Limited. The loan is subject to interest of 2.5% plus 3-month Euribor. However, in line with the MDB COVID Guarantee Scheme, the loan benefits from a subsidy of 2.4% for the first two years. Accordingly, the effective interest rate as at 31 March 2021 is of 0.1%.

18. Borrowings continued

Bank borrowings continued

The group's and the company's banking facilities as at 31 March 2021 amounted to €82,129,091 (2020: €72,648,508) and €10,500,000 (2020: €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 €75,600,000 (2020: €75,600,000);
(b) general hypothecs over the group's present and future assets up to an amount of €85,500,000 (2020: €85,500,000);
(c) guarantees given by the shareholder;
(d) pledges over specific insurance policies of group undertakings;
(e) pledges over the shareholder's life insurance policies;
(f) letters of undertaking.

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank overdrafts	**4.0%**	4.0%	**-**	-
Bank loans	**3.9%**	3.9%	**-**	-

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Between 1 and 2 years	**4,087,481**	1,851,242	**2,098,005**	-
Between 2 and 5 years	**11,301,742**	3,964,870	**7,223,034**	-
Over 5 years	**112,599**	1,485,051	**-**	-
	15,501,822	7,301,163	**9,321,039**	-

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 0.28% (2020: 0.27%). The loans are unsecured and repayable by not later than 10 April 2027.

19. Deferred government grants

	GROUP	
	2021	2020
	€	€
At beginning of the year	**9,641**	14,462
Credited to profit or loss:		
- Annual amortisation related to assets	**(4,821)**	(4,821)
At end of year	**4,820**	9,641
At 31 March		
Non-current	**-**	4,820
Current	**4,820**	4,821
	4,820	9,641

20. Lease liabilities

	Properties	Motor vehicles	Total
	€	€	€
1 April 2019	3,316,243	95,265	3,411,508
Additions	3,164,109	38,941	3,203,050
Interest charges	190,582	5,675	196,257
Payments effected - total cash outflows	(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**
1 April 2020	6,187,189	104,796	6,291,985
Additions	653,440	82,694	736,134
Impact of derecognition of leased assets	-	(18,414)	(18,414)
Interest charges	316,803	3,549	320,352
COVID-19 lease concessions	(344,137)	-	(344,137)
Payments effected - total cash outflows	(439,946)	(37,464)	(477,410)
As at 31 March 2021	**6,373,349**	**135,161**	**6,508,510**
Non-current	5,822,913	104,308	5,927,221
Current	550,436	30,853	581,289
Total lease liabilities	**6,373,349**	**135,161**	**6,508,510**

20. Lease liabilities continued

These lease liabilities are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease arrangement. The discount rate applied to the lease liabilities was 5% which is in line with prior year.

The contractual undiscounted cash flows attributable to lease liabilities as at 31 March are analysed in Note 2.1 (c).

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Group has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted.

21. Revenue

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
By category				
Hospitality and ancillary services	**7,648,344**	39,737,633	**-**	-
Food and beverage	**8,241,316**	14,062,644	**-**	-
Merchandise and other retailing activities	**1,154,949**	4,490,025	**-**	-
Other revenue	**206,156**	1,033,372	**-**	-
	17,250,765	59,323,674	**-**	-

22. Expenses by nature

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Employee benefit expense (Note 23)	**5,309,588**	12,902,514	**-**	-
Amortisation of intangible assets (Note 6)	**43,688**	268,956	**-**	-
Amortisation of right-of-use assets (Note 9)	**661,230**	463,609	**-**	-
Depreciation of property, plant and equipment (Note 4)	**8,135,208**	8,471,853	**-**	-
Utilities and similar charges	**865,333**	1,583,966	**-**	-
Operating supplies and related expenses	**4,390,978**	11,744,669	**-**	-
Repairs and maintenance costs	**1,239,819**	2,580,692	**-**	-
Marketing, advertising costs and commissions	**369,266**	1,536,367	**-**	-
Franchise royalties	**165,719**	452,443	**-**	-
Variable lease rentals	**41,788**	315,472	**-**	-
COVID-19 rent rebates (Note 20)	**(344,137)**	-	**-**	-
Amounts written off in respect of trade receivables (included in 'Administrative expenses')	**2,634**	767,988	**-**	-
Other expenses	**2,096,284**	3,482,543	**11,345**	13,216
Total cost of sales, selling and administrative expenses	**22,977,398**	44,571,072	**11,345**	13,216

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Annual statutory audit	**99,650**	87,300	**1,500**	1,050
Tax advisory and compliance services	**20,430**	7,970	**615**	365
Other non-audit services	**17,950**	59,594	**6,250**	5,500
	138,030	154,864	**8,365**	6,915

23. Employee benefit expense

	GROUP	
	2021	2020
	€	€
Wages and salaries (including directors' remuneration)	**5,210,398**	12,156,775
Social security costs	**448,626**	923,074
	5,659,024	13,079,849
Recharged to associates	**(349,436)**	(177,335)
	5,309,588	12,902,514

Wages and salaries for 2021 are presented net of a payroll grant receivable from the Government amounting to €5,024,970 (2020: €234,078) 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	
	2021	2020
Direct	**576**	645
Administration	**71**	85
	647	730

24. Investment income

	COMPANY	
	2021	2020
Dividend income	**4,000,000**	-

25. Other operating income

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Amortisation of deferred Government grants (Note 19)	**4,821**	4,821	**-**	-
Operating lease income	**159,566**	297,998	**-**	-
Other income	**163,474**	1,129,285	**18,750**	-
	327,861	1,432,104	**18,750**	-

26. Finance income and finance costs

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**110,475**	69,564
Finance income arising from short-term deposits	**15,506**	-	**14,930**	-
Other finance income	**-**	-	**-**	8,178
	15,506	-	**125,405**	77,742

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,913,811**	2,910,353	**-**	-
Interest on bank borrowings and other loans	**80,018**	92,297	**4,491**	1,847
Interest on loan from subsidiary	**-**	-	**67,709**	67,709
Finance cost on lease liabilities	**320,352**	196,258	**-**	-
Imputed interest component on deferred income arising on long-term rights of use sales	**551,597**	499,833	**-**	-
Other finance charges	**63,377**	43,334	**2,157**	-
	3,929,155	3,742,075	**74,357**	69,556

27. Tax (credit)/expense

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current taxation:				
Current tax expense	**69,547**	554,392	**381,499**	2,801
Under provision in prior year	**73,374**	167,098	**-**	-
Group relief	**-**	-	**15,233**	-
Deferred taxation (Note 10)	**(5,159,851)**	1,717,469	**-**	-
Tax (credit)/expense	**(5,016,930)**	2,438,959	**396,732**	2,801

27. Tax (credit)/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	
	2021	2020	**2021**	2020
	€	€	**€**	€
(Loss)/profit before tax	**(7,124,673)**	14,618,664	**4,058,453**	16,984,970
Tax on profit/(loss) at 35%	**(2,493,636)**	5,116,532	**1,420,459**	5,944,740
Tax effect of:				
Share of results of associates	**(765,712)**	(668,892)	**-**	-
Expenses not deductible for tax purposes	**154,034**	202,301	**2,240**	4,625
Income not subject to tax or charged at reduced rates	**(340,703)**	(106,087)	**(1,026,031)**	(5,946,564)
Unrecognised temporary differences and unutilised tax credits	**-**	(54,394)	**-**	-
Unrecognised deferred tax in prior year	**41,536**	-	**-**	-
Over/(under) provision in prior year	**73,384**	(116,751)	**64**	-
Incentives in respect of intellectual property of a group undertaking	**(1,685,833)**	(1,933,750)	**-**	-
Tax (credit)/charge in the accounts	**(5,016,930)**	2,438,959	**396,732**	2,801

28. Directors' remuneration

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Salaries and other emoluments	**920,035**	564,328	**-**	-

29. Dividends paid

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Gross and net dividends on ordinary shares	**4,000,000**	-	**4,000,000**	-
Dividends per share	**1.00**	-	**1.00**	-

30. Cash generated from operations

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Operating (loss)/profit	**(5,398,772)**	16,449,620	**4,007,405**	16,976,784
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**8,135,208**	8,471,853	**-**	-
Amortisation of intangible assets (Note 6)	**43,688**	268,956	**-**	-
Amortisation of right-of-use assets (Note 9)	**661,230**	463,609	**-**	-
Amortisation of deferred Government grants (Note 19)	**(4,821)**	(4,821)	**-**	-
Gain on disposal of property, plant and equipment	**35,187**	12,018	**-**	-
Movement in credit loss allowances	**-**	(264,914)	**-**	-
COVID-19 rent rebates (Note 20)	**(344,137)**	-	**-**	-
Changes in working capital:				
Inventories	**428,950**	(544,576)	**-**	-
Trade and other receivables	**4,666**	6,489,448	**312,371**	(16,860,835)
Trade and other payables	**(3,371,277)**	(2,634,410)	**2,181,844**	16,370,047
Cash generated from operations	**189,922**	28,706,783	**6,501,620**	16,485,996

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.

31. Commitments

Capital commitments

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

	GROUP	
	2021	2020
	€	€
Authorised but not contracted for	**165,000,000**	2,101,509

Operating lease commitments – where group undertakings is a lessor

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

	GROUP	
	2021	2020
	€	€
Less than one year	**159,566**	297,998

Operating lease receivables relate to property concessions.

32. Contingencies

At 31 March 2021, 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 (2020: €72,900,000). At 31 March 2021, the parent company also gave guarantees for an amount of €7,500,000 (2020: €7,500,000) 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 associates for an amount of €3,435,000 (2020: €3,435,000).

(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.

32. Contingencies continued

(d) Uncalled share capital amounting to €5,590 (2020: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2020: €960) relating to shares subscribed in subsidiaries by the parent company.

(e) Guarantees of €693,650 (2020: €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 and performance bond amounting to €250,000 (2020: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

(g) Guarantees of €108,500 (2020: €108,500) 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.

(h) Guarantees of up to a maximum of €134,606 (2020: €89,606) issued by group undertakings to various third parties in the ordinary course of business.

33. Related party transactions

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

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

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

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

33. Related party transactions continued

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	
	2021	2020
	€	€
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 28. In addition to the amounts disclosed in Note 28, other key management personnel compensation amounted to €28,911.

34. Events subsequent to the end of the reporting period

During the current financial year, DB San Gorg Property Limited submitted a downscaled development plan for the City Centre project and after the end of the reporting period the Planning Authority approved the revised development plan, which however is subject to an appeal process.

35. Statutory Information

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

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