db Group

Annual Report 2023

Here. There. Together.

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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SILVIO DEBONO

Silvio Debono is the db Group's Founder, Chairman and Managing Director. He has beenin 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

HERE. THERE. TOGETHER.

This has been a successful year for the db Group and the figures in the attached financial statements amply bear it out. We always followed our vision, worked hard, and never, ever, did we lose faith in this country's potential. This has delivered results.

As proud as I am of what we achieved, I would prefer to take this annual opportunity to look to the future, rather than celebrate the past.

Our Group has garnered a reputation as 'doers' in the hospitality and leisure sector. When we commit to an initiative, we take on the challenge head-on, relentlessly pursuing our objectives until they are fulfilled. Yet, it is our vision that sparks this unwavering determination, propelling us forward, and shaping our actions. We confidently live and achieve in the present because our eyes are always geared towards the future. What, then, does the future hold for us?

On the not-so-distant horizon we are glimpsing a new reality, enriched by the advent of artificial intelligence. More than just another technological advancement, it is a ground-breaking shift in human interaction with technology. Steered by inherently human values, AI has the potential to revolutionise the hospitality and leisure sector, making it more personalised, efficient, and intelligently innovative.

Secondly, for all the recent setbacks in the world, globalisation has penetrated our lives, our businesses, and our institutions. It will continue to do so even more thoroughly in the future. Work, leisure, and communications are increasingly unbounded by place and time. This will mean that our client profiles, needs and preferences will be constantly morphing into each other and birthing new ones. In the future we will be speaking more of travellers than tourists and business trips.

This is the future moulding of our vision. This is what is leading us from today to tomorrow.

The timing for this paradigm shift could not be more happily apposite for us. In the present conceived as a prelude to the future we shall be embarking on two initiatives which will define us in the years to come. Two initiatives which geographically point in different directions but are tied together in spirit.

Our project at St George's Bay is finally in progress. As always envisioned, it will be an iconic building offering hotel, culinary, entertainment and residential experiences which will be unmatched in Malta. This development will be bringing the best of the world to Malta.

Simultaneously, we as a Group will be venturing in the opposite direction, taking ourselves to the world beyond our shores. Next year we'll be opening our first restaurant abroad, a substantial investment right in the heart of London. There's more, much more. In parallel, we are also looking at a number of other prospects in various countries to our north and our south.

We are the db Group. Looking at the future from here to there and back. We'll succeed again. Because as always, we will get there together.

SILVIO DEBONO
Chairman & Managing Director

CEO's Report

ON COURSE, OF COURSE.

The financial year under review was not a typical one for the hospitality and leisure sector. It was the litmus test of how quickly and effectively the industry was going to emerge from the aftermath of the COVID-19 pandemic. It was the year in which we were fully able to discover what the new normality brought to the table.

Perhaps more than others, the well-being of our sector depends on a much wider and disparate set of factors. We sink or swim largely on the number, quality and preferences of the tourists who visit us from Europe and beyond, as well as the daily choices made by the burgeoning number of local clients.

So how did we do as a country? In line with continental trends, hospitality and leisure bounced back with a vengeance in Malta too. Quite simply, visitors and locals could not wait to go back to enjoying themselves - and they ventured out again in full force without hesitation. Happily, Malta was solidly on the radar of tourists from near and far. As the Malta Tourism Authority reports, the sector's performance in the first quarter of 2023 was even better than pre-pandemic 2019, which was a record year.

On our part, it gives me great satisfaction and pleasure to see our hotels full again. Indeed during last winter they performed even better than in 2019. This success did not fall from the sky but was built on the solid foundations we laid down during the pandemic and after.

We continued to invest in our hotels, particularly by enhancing and diversifying the dining experience they offer. Two of our restaurants at the Seabank and another at the San Antonio were fully refurbished, allowing us to offer Middle Eastern fare at the former and South American fare at the latter.

Switching gears, this financial year also confirmed the wisdom of our strategy in recent years to give particular attention to the growing interest in different and top-quality specialised restaurants. It is rewarding to note that our restaurant business grew significantly when compared to the record pre-pandemic times.

On cue we opened LOA and Sonora restaurants. It was truly impressive to see how locals and visitors instantly embraced the South American cuisine of the former. The hard, consistent and visionary work paid off. LOA quickly made it to the Michelin Guide list, alongside our other restaurant, AKI.

More than in any other business, the back of house in the broadest sense is the backbone of the restaurant business. The right structures and processes are as important, if not more, than the menu, wine list and ambiance.

Accordingly, during this financial year we invested even more in our people and our modus operandi. We appointed an additional Director of Operations, a Director of Culinary, a Head of Creative, and a Head of Mixology. Overseeing and driving it all with vision and assiduous dedication is now our newly appointed COO, Jesmond Vella.

On the brands side, Starbucks continued to outperform itself in leaps and bounds. Responding to growing demand, this financial year we opened another six outlets, and we have another 4 in the pipeline.

In sum, this was a very good year for our Group. In fact, our EBITDA exceeded that of pre-pandemic times (March 2020). These results encourage us to continue on our journey towards the horizon - locally with the commencement of our iconic project at St George's Bay, St Julian's, and internationally with the opening of our first restaurant abroad in the heart of London.

ROBERT DEBONO
CEO, db Group

ROBERT DEBONO

Robert Debono, is db Group's CEO. He read for a Bachelor of Commerce Degree, specialising in Business Management at the University of Malta. 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 its 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 and the subsequent recovery.

The Executive Team

JESMOND VELLA
DIRECTOR AND COO

VICTORIA DEBONO
DIRECTOR

DAVID DEBONO
DIRECTOR

SILVIO DEBONO
DIRECTOR AND CHAIRMAN

ROBERT DEBONO
DIRECTOR AND CEO

JEAN CLAUDE FENECH
CFO

ALAN DEBONO
DIRECTOR

ARTHUR GAUCI
DIRECTOR

RAY BEZZINA
DIRECTOR

Group Background

The Group has been involved in hospitality for almost four decades, initially starting off as a guesthouse in 1984, operated by the Group's founder Silvio Debono. Today, as the db group chairman, he sits at the helm of the largest hospitality operation in Malta.

Over the years, the Group has forged strategic relationships with a range of global players in the hospitality and catering industry. Among them are the Accor Hotel Group, RIU Hotels & Resorts, Hard Rock Café International and Starbucks. In the process, the Group has accumulated vital business acumen and operational experience at global level.

Year-on-year, the Group continues to achieve several prestigious international awards, in hospitality and catering, positioning it at the forefront of the Maltese hospitality and leisure industry. 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.

In due course, and prudently, the Group diversified its core operations, adding contract catering, healthcare, and property development to its existing market footprints. Following four decades of significant growth and success in the Maltese islands, in 2022 the Group took the strategic decision to internationalise and further diversify its operations through international investments, opening its first family office in Mayfair, London to spearhead the move.

Key Milestones

ACHIEVED DURING THE FINANCIAL YEAR

The financial year (FY) spanning 1 April 2022 to 31 March 2023 (FY23), represented a significant year for the Group hitting a number of key milestones. The Group rapidly emerged from the pandemic and achieved impressive financial results driven by significant growth in the 12 months under review.

In this respect, turnover increased by 75%, reaching c. €70.8 million, the highest ever recorded by the Group. More encouragingly, EBITDA increased by 24%, factoring in at €30.4 million.

As the Group continues to pursue its growth and diversification strategy, in the last year it hit several key milestones, a few of which are highlighted below.

THE ESTABLISHMENT OF THE GROUP'S INTERNATIONAL OPERATIONS THROUGH THE SDH CAPITAL OFFICE BASED IN MAYFAIR, LONDON

Following nearly 40 years of growth in the local market, the Group has identified opportunities for **investment beyond the shores of Malta**. Such a strategic business decision to internationalise will continue to fuel sustained growth for the Group in the years to come.

In the financial year under review, the Group opened its first overseas office, **SDH Capital**, strategically located in the prestigious **Mayfair neighbourhood in London.** This office is spearheading the international expansion of the Group and is being led by Nicholas Portelli as Managing Director.

In this respect, the Group has already started work on a number of new ventures with a healthy pipeline of projects already in place. Further details of this office can be found at: https://www.sdhcapital.co.uk/.

Nicholas Portelli
SDH Capital, Managing Direction

OPENING OF A STATE-OF-THE-ART HEALTHCARE TRAINING CENTRE IN DUBAI

In the last 12 months, the Group has worked tirelessly to set up Healthmark Training FZE. This new business unit was successfully set up through a company based in the Silicon Oasis in Dubai. This led to the opening of the **Healthmark Training Centre** in the UAE in March 2023.

The 250 square metres state-of-the-art training centre includes specialised facilities consisting of a dedicated training room, a state-of-the-art hospital simulation room fitted out with medical equipment, offices, meeting rooms, and a recreation area.

The training centre is certified by the *Knowledge and Human Development Authority (KHDA)*, which is the educational quality assurance and regulatory authority of the Government of Dubai, in the United Arab Emirates.

The training centre has the capacity to train groups of 20 to 30 students, with two trainers providing clinical and non-clinical training content.

The Healthmark Training Centre represents one of our first significant investments overseas and will play a crucial role in ensuring that our healthcare staff are well trained to deliver an excellent service that is synonymous with the Group.

250

SQUARE METRES STATE-OF-THE-ART TRAINING CENTRE

SUCCESSFUL BID FOR A NEW CATERING CONCEPT AT THE MALTA INTERNATIONAL AIRPORT

Following a highly competitive bidding process, the Group was the successful bidder to refurbish, design and operate a quick-service casual restaurant in the Schengen Departures Hall at the Malta International Airport (MIA).

This success was driven by our bid's unique concept and brand which addressed a clear market and service gap for travellers at our international airport. We take pride in the fact that the Veràni brand was successfully chosen over other recognised international franchise outlets. This new concept is a fast-casual food outlet catering specifically for travellers with an enticing array of popular cuisines on offer.

The Group invested significantly in the space with the new outlet opening its doors in April 2023. Following on from Hard Rock Café, this is the Group's second catering outlet in the Schengen Departures Hall at the MIA. This allows the Group to further consolidate its solid footprint in the highly attractive and exclusive area of the airport, which enjoys considerable footfall.

A HUGELY SUCCESSFUL FIRST 12-MONTHS OF OPERATION FOR LOA

LOA is an upmarket South American restaurant and lounge bar which is contributing to the upgrading of the area around the Sirens aquatic club. Nestled right under the historic Wignacourt tower in St. Paul's Bay, LOA offers patrons unobstructed views of some of the most pristine waters in Malta. In culinary terms, it showcases the best of the Nuevo Latino Cuisine, fusing traditional Latin flavours with some of the latest global palate trends.

The new restaurant was extremely well received and quickly became a hotspot in the local culinary scene, achieving significant customer turnover. Even more encouraging was the impressive customer feedback and reviews left by LOA's patrons, making the restaurant one of Malta's best rated culinary destinations. **Most impressively, LOA achieved Michelin Guide status less than a year after opening its doors.**

LOA's success in its inaugural year of operations is further evidence of the Group's drive to invest in top-notch quality in the local hospitality and leisure industry.

AKI AND LOA EARN RECOGNITION FROM THE PRESTIGIOUS MICHELIN GUIDE

Building on the success of 2022, AKI has once again earned its place in the 2023 edition of the Michelin guide together with LOA, one of the Group's newest restaurants. We are proud to have two of our independently run restaurants recommended by the globally-recognised Michelin guide.

These achievements are a testament to the Group's talented people who work together tirelessly to deliver excellence in everything they do.

MICHELIN 2023

LAUNCH OF AMAMI FOOD BAR

In July 2022, the db Group yet again manifested its deep understanding of the local food and entertainment market by introducing the Amami Food Bar. Situated in the newly developed University Campus Hub frequented by thousands of students, it is an offshoot of a sister restaurant, Amami situated in Mellieħa.

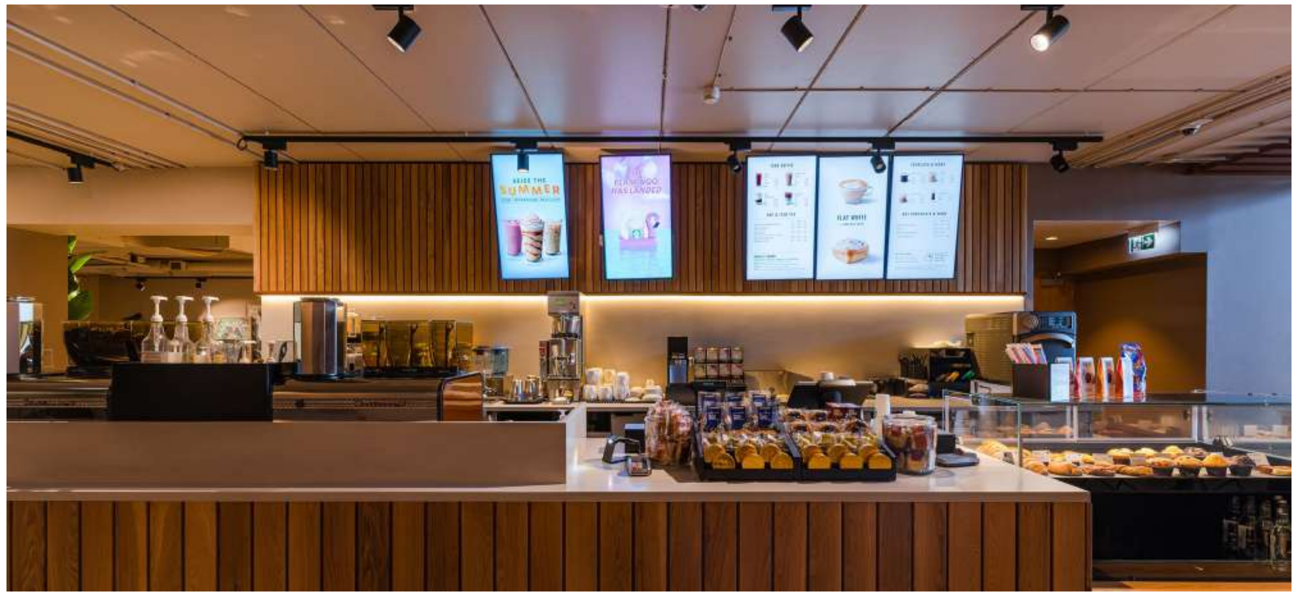
Designed and operated with today's student lifestyle and their tight schedule in mind, the Amami Food Bar offers a unique experience, including an ambient working space along with a fast, on-the-go service that students can make use of between classes.

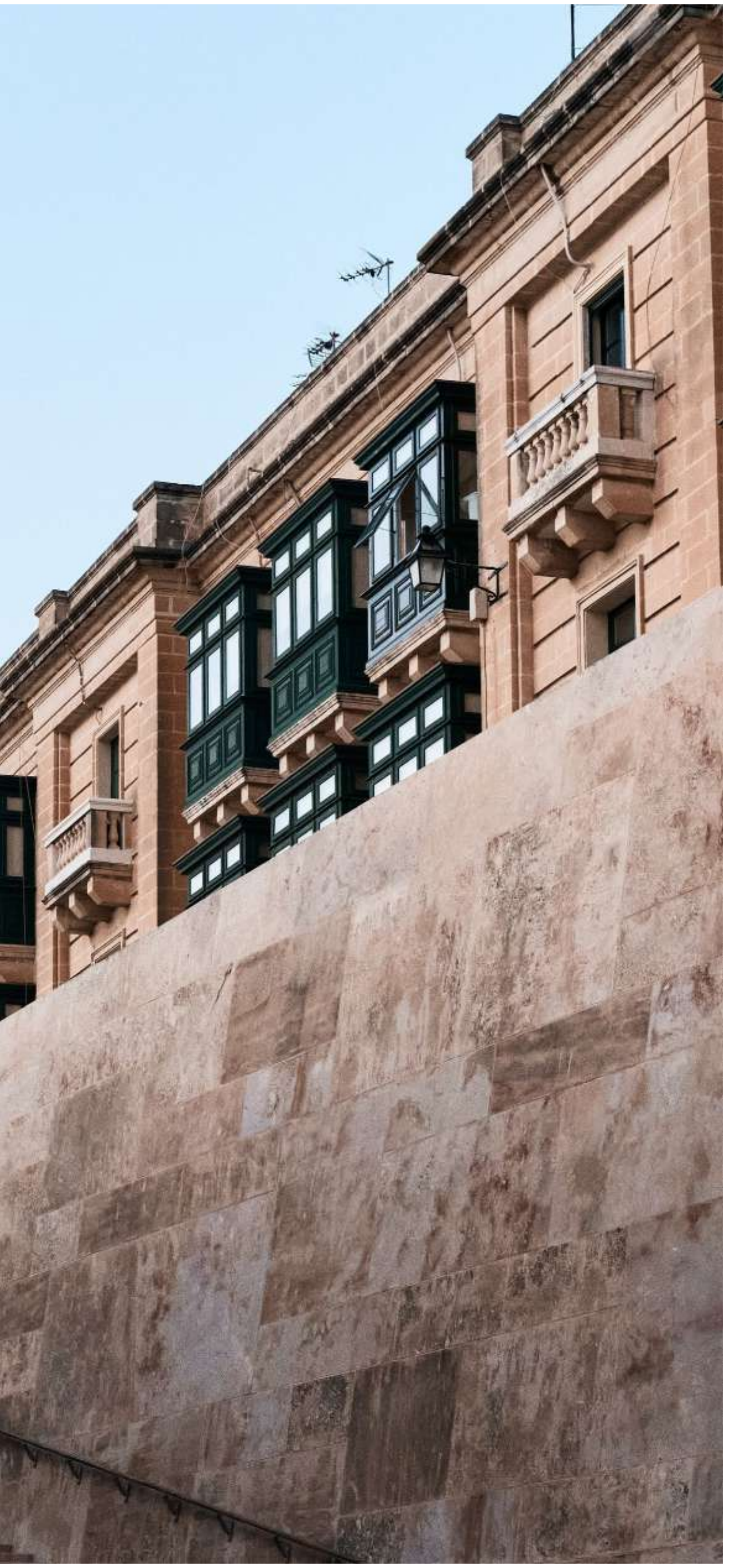
OPENING OF SIX NEW STARBUCKS OUTLETS ACROSS MALTA AND GOZO

Following a successful roll-out of Starbucks outlets in the first few years of operations, in the last financial year the Group intensified its growth even further, investing significantly to grow its foothold in the local market. Between April 2022 and March 2023, the Group rolled out six new outlets, bringing its total to 14 outlets. The new outlets opened in the year under review include:

1. **The Starbucks kiosk** is strategically located near the Buġibba seafront. *April 2022*;
2. **Campus Hub outlet,** which attracts over 11,000 students from the University of Malta. *June 2022*;
3. **The Quad Business Centre**, located within Malta's Central Business District. *July 2022*;
4. **Victoria, Gozo** - the commercial hub of Gozo. *October 2022*;
5. **Pretty Bay, Birżebbuġia** - One of Malta's most frequented beaches. *November 2022*;
6. **Triq Ix-Xatt, Gżira** - an up-and-coming area which is currently enjoying significant investment in terms of office, commercial and residential property spaces. *December, 2022.*

Following the opening of these six outlets, the Group plans to continue the growth of the Starbucks portfolio in Malta, as the brand consolidates its market position as Malta's leading coffee experience brand.





SUCCESSION - THE NEXT GENERATION

In October 2022, the db Group's Board of Directors appointed four key officers to take forward its vision and oversee its execution. The move also marked a watershed moment in the family's succession planning.

Having been appointed as Chief Executive Officer of SD Holdings Limited in October 2020, Robert Debono was reaffirmed as the Group's CEO with a clear brief to continue to drive an already robust business and investment strategy and to consolidate financial success on all fronts.

Dr. David Debono, a lawyer, is the Chief Legal Officer overseeing all legal matters as well as those pertaining to HR and Alan Debono will be the Chief Procurement and Accounting Officer responsible for financial and purchasing policy and execution. Victoria Debono is now the Brand Manager, responsible for nurturing and expanding the Group's local and global brand portfolio.

Silvio Debono will remain as the Chairman of the Board.

Subsequent to these key appointments in June 2023, the db Group chairman Silvio Debono distributed his shareholding in SD Holdings Limited among his four children, effectively concluding a process set in motion as a result of a careful and deliberate family succession plan, ensuring a smooth transition.

THE GROUP EXPERIENCED STRONG REACTIVITY IN THE LAST 12 MONTHS DRIVING GROWTH AND A RECORD TURNOVER

Throughout the pandemic, the unprecedented challenges it posed and the sharp drop in demand it precipitated, db Group persevered with its ambitious growth vision. This has allowed the Group to experience a strong and exponential recovery in the last 12 months, seeing the Group reinforcing its strong financial position.

Despite the protracted period of uncertainty we adopted a unique strategic approach and mindset, choosing growth instead of minimising risk and investment as the way forward. Our approach evidenced long-standing experience in and deep knowledge of the local hospitality and leisure industry. It also reflected our strong financial standing. The Group retained all its staff complement during the turbulent months, allowing operations to capture the full momentum in the bounce back in travel and leisure activities.

In the last financial year, the Group registered impressive growth and record-breaking turnover. This was largely due to the Group's massive efforts and continuous drive for growth during the challenging times of the global pandemic.

In FY23, the Group's revenue increased by 75% from €40.4 million in FY22 to €70.8 million in FY23. The EBITDA for FY23 continued to show the Group's positive financial position, registering a substantial increase from €24.4 million in FY22, to €30.4 million in FY23.

As a result of this strong performance, the Group has consolidated its position as a market leader in Malta's hospitality, catering and healthcare services industry.

For the upcoming financial year, db Group has several projects in the pipeline, many of which were operational as of June 2023. These new projects include a new restaurant in the heart of Mellieha with works well underway, the opening of Tora and Manta in Sliema, and the new Veràni outlet at the MIA departures hall which also successfully opened its doors.

In addition to the above, the Group has plans in place to continue the roll out of more Starbucks outlets across Malta & Gozo.

The Group is also in the process of identifying other exciting new opportunities that will result in the db Group further establishing its local and overseas operations.

HOSPITALITY

db Seabank Resort + Spa

db San Antonio Hotel + Spa

The Melior Boutique Hotel

Porto Azzurro Hotel

HEALTHCARE

Healthmark Care Services

Health Services Group

Support Services Limited

LEISURE

Lifestyle Group

Adeera Complex: AMAMI, BLU BEACH, & WESTREME

NINE LIVE BEACH CLUB

AKI

SONORA

LOA

AMAMI FOOD BAR

VERÀNI

TORA

MANTA

ESPIRAL

Franchised outlets

Hard Rock Café Malta

Starbucks

PROPERTY DEVELOPMENT

db San Ġorġ Property

Kika Construction Company Limited

Siar Property Investments

Ghadira Property Investments

CONTRACT CATERING

Kore Air Services Ltd

Malta Healthcare Caterers

Financial Highlights

Financial Highlights

With 3,500 beds the db Group is the largest local hotel operator. The Group's full head count including its subsidiaries and associated companies amounts to 5,782 employees.

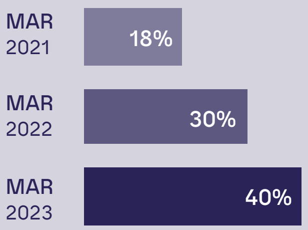
GROUP REVENUE INCLUDING BY INDIVIDUAL ASSOCIATES FOR THE YEAR ENDING 31 MARCH 2023

FY23 was characterised by a strong Group performance across the different operational segments. The hospitality and leisure segment experienced a significant recovery to exceed pre-pandemic turnover. This segment accounted for over 40% of FY23 revenue compared to 30% in FY22.

HOSPITALITY AND LEISURE

10%

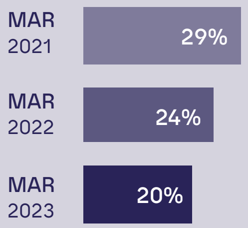
CHANGE FY 2022/FY 2023



CONTRACT CATERING

-4%

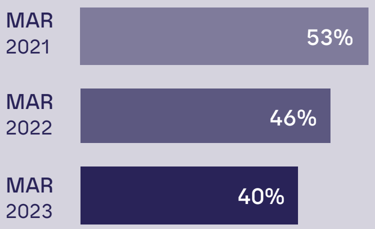
CHANGE FY 2022/FY 2023



HEALTHCARE

-6%

CHANGE FY 2022/FY 2023

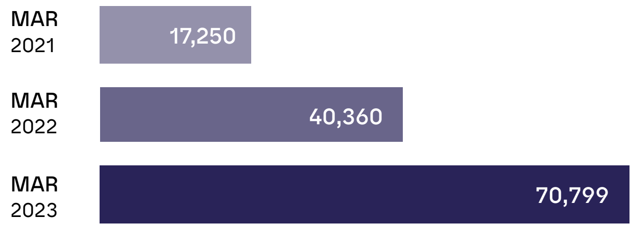


REVENUE

€000s

75.4%

CHANGE FY 2022/FY 2023

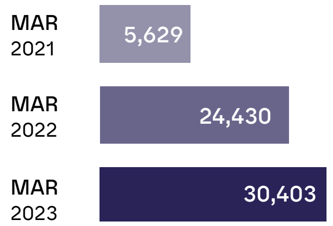


EBITDA

€000s

24.4%

CHANGE FY 2022/FY 2023

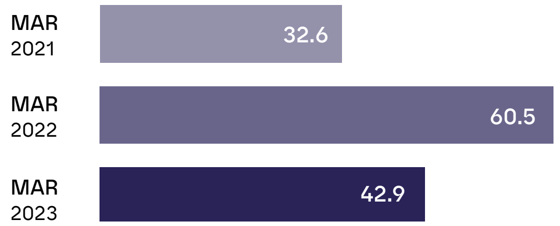


EBITDA MARGIN

%

-17.6%

CHANGE FY 2022/FY 2023

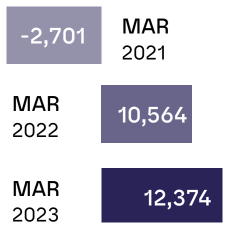


PROFIT AFTER TAX

€000s

17.1%

CHANGE FY 2022/FY 2023

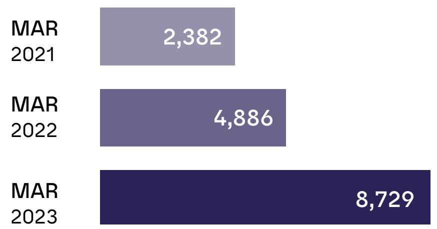


CAPITAL EXPENDITURE

€000s

78.7%

CHANGE FY 2022/FY 2023



Our Path Ahead

Our Path Ahead

A GLIMPSE INTO THE GROUP'S AMBITIOUS VISION

The db Group has a clear and ambitious vision to run hotels and resorts which strive to be rated amongst the best in their respective categories in Europe. Looking forward, the Group plans to grow both locally and internationally and envisions an increase in the number of hotels making up the db brand. Having already established a significant presence in the 4-star all-inclusive sector, plans are currently in place to continue to enhance and consolidate the product brand.

In addition, the Group aims to continue roll out its ambitious plans to expand its portfolio of restaurants, providing Malta with top quality, innovative culinary concepts, enhancing further the country's hospitality offer.

The Group also remains committed to sustaining growth in its contract catering and healthcare segments. They have enabled the Group to balance the significant negative impact that the pandemic has had on the leisure and hospitality counterpart.

In four decades of resounding success in the Maltese islands, the Group now plans to apply its invaluable business acumen by investing in new markets, allowing the Group to continue to diversify its portfolio.

db Group's mixed-use development in St. George's Bay St. Julian's

After almost a decade of thorough scrutiny from various authorities, tribunals and courts and a thorough judicial process during which all possible legal arguments were raised and determined, the Group is delighted with the positive outcome of the court's verdict delivered on 31st May 2023. This has been one of the most scrutinised projects in local history, and we now look forward to delivering to the promised world-class level.

In June 2023, the Group finally commenced with initial preparatory works at the project site. We plan to invest around €250 million in this mixed-use development project, making it one of the largest private investments made by a single local operator in Malta's history.

A study carried out by the Group, estimates that once complete, the project will create an additional 1,200 jobs. Furthermore, around 1,500 full timers will be required on site during the construction phase. An Economic Impact Assessment commissioned by the Group estimates that the project will generate around €490 million in government revenue in the first decade of operations.

The db Group is geared to complete construction in 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 as minimal as humanly possible.

An international dimension

The db Group has grown from a family-run business into one of Malta's foremost corporate players in the tourism, hospitality and leisure sectors and beyond. Moving forward, the Group remains steadfast in its trademark approach - seeking **excellence** in everything we do.

The db Group currently has a clear and ambitious **vision to run hotels and resorts which strive to be among the best rated in their respective categories around the world.** It plans to grow both locally and overseas and envisions a significant increase in the number of hotels and restaurants forming part of its portfolio.

The Group has now identified opportunities for **investment beyond Malta's shores.** This key strategic decision to internationalise the business, will drive and sustain the Group's growth in the years to come.

The db Group has been solidly successful with its various operations in Malta. The time is now right to apply this deep knowledge and track record to new markets thereby diversifying its portfolio. The Group is also establishing a pipeline of projects in hospitality and catering businesses with the intention of taking such expertise overseas.

The London office is specifically focusing on this growth plan and is currently evaluating opportunities across the EMEA region. While the Group is seeking to grow internationally, it remains committed and determined to continue investing and growing its hospitality and catering operations in Malta.

An exciting new project in the heart of London

The Group has secured a historic listed building in central London that dates back to the 18th century. The property was the site of several British banking institutions and as a result has some unique architectural features. These include lovely eight-metre ceiling heights in the main banking hall, and vaults at the lower ground level.

The property will form part of the Group's portfolio of hospitality and leisure offering. The former banking hall will be carefully renovated and restored and will become a main dining area. The vaults will house an exclusive lounge and bar area.

Given the uniqueness of the property, the Group has appointed a number of industry leading consultants among which are Donald Install Associates (DIA) and Gerald Eve (GE). The former are historic buildings consultants, and the latter are specialist property advisors on planning related matters.

The team is complemented with several other professionals such as leading interior designers and architects, project managers and quantity surveyors, licensing advisors and building regulation and fire consultants.

The property is expected to open its doors in September 2024.

A year rich in new openings

Despite the challenging global economic climate, the Group continues to forge ahead to open a range of new restaurants, all with the ambition to achieve excellence.

VERÀNI

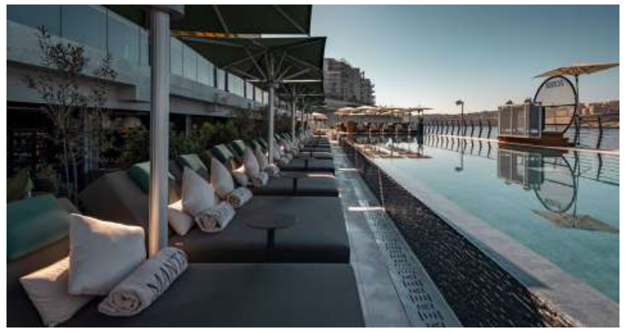
Following the successful bid to operate a catering outlet in MIA's departures hall, the Group carried out works in the first quarter of 2023 and successfully opened its doors in April 2023. Veràni, is a new and exciting fast-service casual brand that is focused on delivering wholesome and delicious food to health-conscious consumers. It is strategically located at the heart of the departures lounge and attracts a significant annual footfall.

In the first few months of operations, Veràni has already attracted thousands of travellers to its outlet. With a diverse and innovative range of food and drink options and a stylish new outlet, Veràni has quickly become of the most popular retail outlets in the departures lounge, welcoming travellers from around the world.

TORA

Tora opened its doors in May 2023, that is after the current financial year. It is a contemporary oriental style restaurant situated at the water's edge in Sliema. Tora's prime location offers breath-taking views of Valletta and sets the stage for a romantic evening, a family gathering, or a night out with friends.

In a few months since it opened, the restaurant has been well received and received many positive reviews.



MANTA

Situated in a stunning setting in Tigné and offering an unparalleled view of the Valletta skyline, Manta is a beautiful lido which was launched in June 2023. With its delightful Mediterranean fusion restaurant and sparkling pool, Manta offers an extraordinary dining experience that is unmatched in both beauty and quality.

In just months after its opening, Manta already featured amongst the top restaurants of choice in Malta, building on the exquisite setting and the innovative dining offer.

ESPIRAL

Based in the heart of Mellieħa, Espiral is set to open its doors in summer 2023. Espiral promises to be a Spanish restaurant like none other, set to create an immersive dining experience that awakens all of the senses.

The restaurant features a variety of delicious traditional Spanish dishes that are visually stunning, with an emphasis on vibrant colours and contrasting textures.

Like the other db restaurants, Espiral is set to be the go-to place for a culinary and multi-sensory atmosphere designed to go beyond just the taste of the food, but also includes sights, sounds, smells and texture.

EXPANDING THE COVERAGE OF STARBUCKS OUTLETS ACROSS MALTA

Following the successful opening of six new outlets in FY2023, the Group remains committed to grow the Starbucks brand in Malta even further. An additional four new outlets in prime locations are planned to come on stream in the next 12 months, allowing the brand to further consolidate its strong market position.

Growth in the healthcare service offering

The Group's operations in the healthcare sector are expected to expand as they have done in these past two years. Our clear mission is to deliver high quality and agile support services to a range of government and private entities. Testament to this is our recruitment of an additional 250 healthcare professionals since 2021. The Group has also expanded the range of facilities and services it offers to the various areas of the sector.

Malta's Country Profile

MALTA: KEY FACTS

The Maltese archipelago is situated in the heart of the Mediterranean and is directly accessible by air or sea from most key European commercial centres, the Middle East and 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	**271 km** Shoreline	**542,051** Population
1,715 Persons per square kilometre	**300** Days of sunshine per year	**Mediterranean; mild, rainy winters, hot, dry summers** Climate	**568mm** Annual Rainfall
Euro Currency	**+356** International dialing code	**Maltese and English** Offical languages	**High International Connectivity**

GMT +1
Time Zone

MALTA'S BENCHMARK RATING

Measuring Malta's products, services and processes against those of other countries, both in the EU and globally:

Productivity: 23rd globally
Represented by the total volume of output (measured in terms of GDP) produced per unit of labour (measured in terms of the number of employed persons or hours worked). The ranking is based on data from the OECD and the World Bank.

ICT adoption: 6th out of 27 EU Member States
As per the 2022 edition of the Digital Economy and Society Index (DESI), Malta enjoys a high share of ICT graduates (6.5% of graduates in Malta, versus 3.9% in the EU).

Health: Malta has a health index score of 80.5, the 19th overall global ranking
This is based on the health of the population and access to healthcare services.

Skills: 14th out of 31 countries in the European Skills Index (ESI)
Malta ranks in the middle-achieving group, with a poor score in skill development, but the second highest in comparison to EU countries in the skills matching pillar.

Unemployment rate: 3rd lowest in the EU and 32nd globally
96% of recent graduates are currently employed.

Innovation capability: 21st out of 132 economies
This is based on criteria that include institutions, human capital and research, infrastructure, credit, investment, linkages; the creation, absorption and diffusion of knowledge; and creative outputs.

Corporate tax rate: 35%

Double taxation treaties: 81 signed conventions

Sovereign ratings:
Moody's ratings A2
S&P ratings A-
Fitch ratings A+

Malta: The EU's smallest, yet one of the fastest-growing and most resilient economies

Malta joined the European Union in 2004 and adopted the Euro on 1 January 2008. Malta's free market economy, the smallest in the eurozone, relies heavily on trade in both goods and services, principally with Europe, and on human resources.

Since Malta's accession to the EU, the country's opportunities and prospects expanded significantly. Between 2006 and 2019, Malta's real GDP increased from €6 billion to €12.5 billion, making it the third fastest growing economy in Europe following Ireland and Hungary. Post-pandemic, the latest real GDP figures reached €16.9 billion, making Malta the second fastest-growing economy in Europe, following Greece.

Malta's economy is strongly driven by financial services, tourism, real estate, iGaming and high value-added manufacturing. Other important sectors include pharmaceuticals and information technology. Human resources are crucial for Malta, and accordingly education is imperative in shaping them in accordance with labour market needs.

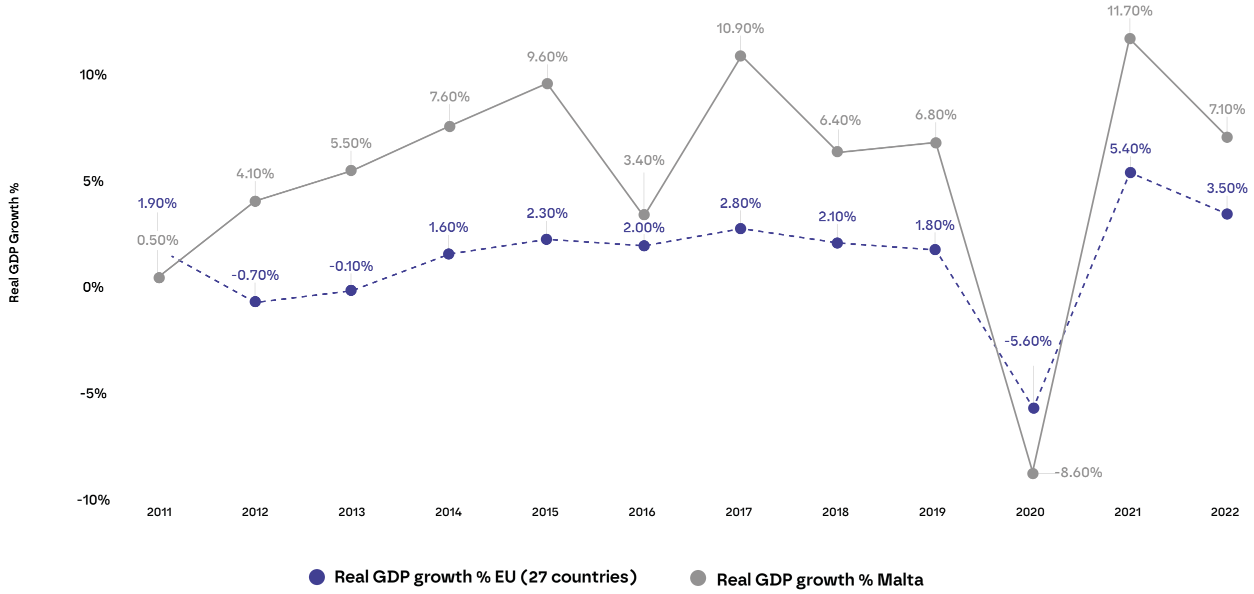
Malta's economy has consistently registered one of the highest GDP growth rates amongst the other EU-27 economies

In terms of real GDP growth, the Maltese economy has consistently outperformed the EU average since 2009, experiencing a dip during the 2020-2022 pandemic. This growth has been driven by significant structural changes in the economy.

Following the significant economic disruption during the global pandemic, Malta's economy is once again outperforming the euro area average in terms of growth, driven by domestic demand and net exports, in turn reflecting a strong tourism rebound. In fact, in 2021, the Maltese economy recovered faster than previously predicted, evidencing a stable, high growth rate of 11.7%, which is well above the EU recorded average for the same time period. 2022 represented another year of strong economic performance, with a real GDP growth of 7.1%. In 2023 and 2024, economic growth is expected to stabilise at 4.0% and 3.8% respectively.[1]

Real GDP growth from 2011 to 2022

Source: Eurostat



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

Malta's strong economic growth has led to higher labour demand, resulting in record low unemployment levels. The demand for labour substantially exceeds the local supply, triggering a significant influx of foreign workers and driving population growth. Malta's population reached 542,051 residents by the end of 2022.

The size of the expat community increased exponentially to circa 115,449 in 2022, representing an increase of more than five times the share of foreign nationals since 2011. In 2022, 96,970 foreign nationals were in active employment. EU nationals made up 45% of total foreign employment, while the remaining 55% were third country or EFTA nationals.

Inflation

In 2022, the Harmonised Index of Consumer Prices (HICP) experienced a significant rise in annual inflation, persisting in 2023. Specifically, annual inflation experienced a significant increase, reaching 6.1% in 2022, from its previous low of 0.7% in 2021. The HICP is projected to be 5.3%[2] in 2023. However, there are lingering indirect effects from recent increases in input costs that are set to keep inflation high compared to historical standards. This modest decline in HICP is widespread across all its sub-components, except for energy inflation, which remains constant due to government support measures. In contrast to 2022, when energy was the main contributor to inflation, the main drivers of inflation in 2023 are service, food and non-energy good prices.

SERVICE PRICE INFLATION

Service price inflation is forecasted to be the main contributor to HICP inflation. Whilst goods price inflation is expected to start to ease in 2023, helping drive down the overall inflation rate projection, service price inflation may take longer to come down. Inflation has fed into workers' expectations, which encourages the labour market to put pressure on higher wages which will likely induce service inflation. High service price inflation can have a significant impact on the hospitality and catering industry. As service costs rise, sectors like hospitality may experience increased operational costs, including labour, which could directly impact profitability and financial viability. This could potentially lead to reduced profit margins and increased expenses for customers. As the sector strives to maintain service quality whilst managing increased costs, this may also lead to challenges stemming from customer expectations.

FOOD AND NON-ENERGY PRICE INFLATION

Russia and Ukraine, known for their abundant non-energy and food resources, are significant players in these sectors. The sanctions on Russia are envisaged to remain in place over the next 12 months with concomitant adverse effects on global trade and demand. Given Ukraine and Russia's major role in the supply of energy and non-energy commodities, the conflict is envisaged to exacerbate supply chain disruptions and add more pressure on commodity prices.

The Russia-Ukraine war disrupts trade routes, obstructs agricultural production and creates uncertainty, leading to inflationary pressures and increasing food prices. In the first quarter of 2023, food prices increased by 14.1% compared to the preceding year, resulting in inflation rates for milling products such as wheat and flour to experience a significant surge, considerably surpassing average inflation rates. This increase has been notable and has impacted costs in the hospitality and catering sectors. The escalating costs of raw materials and labour in these sectors have created significant challenges in managing expenses and maintaining profitability.

Against this backdrop, the Maltese economy outperformed the Euro Area in terms of growth, driven by domestic demand and net exports and reflecting a robust tourism recovery. However, while headline inflation is relatively low, core inflation is increasing at a rapid pace compared to other European countries. Moreover, the breadth of inflation in Malta is above the Euro Area average thus suggesting that inflation is not concentrated.

542,051

MALTA'S POPULATION

[1] Central Bank's Forecast 2023-2025 (June 2023)

[2] Central Bank's Forecast 2023-2025 (June 2023)

Economic outlook

GDP GROWTH FORECASTS

Forecasts indicate that Malta's economy will continue to perform strongly in 2023 and 2024, albeit at a slightly reduced growth rate as anticipated by the European Commission (EC) and the International Monetary Fund (IMF). Both institutions forecast a growth rate for Malta of 3.9% and 3.5% for 2023 and 4.1%[3] and 3.5%[4] respectively for 2024. However, these figures still compare favourably to EU forecasts for the same period, which are 1.0% and 0.8% for 2023 respectively.

GDP growth forecast	Region	2023P	2024P	2025P
Central Bank of Malta	Malta	4.0%	3.8%	3.7%
European Commission	Malta	3.9%	4.1%	N/A
	EU-27	1.0%	1.7%	N/A
	Euro Area	1.1%	1.6%	N/A
IMF	Malta	3.5%	3.5%	3.5%
	EU-27	0.7%	1.6%	2.2%
	Euro Area	0.8%	1.4%	1.9%

INFLATION FORECASTS

In line with global trends, forecasts indicate that Malta's economy will continue to be impacted by inflation above the historic average. The EC and IMF predict that in 2023, HICP inflation in Malta will reach 5.4% and 5.8%, respectively. Over the same time period, forecasts indicate that EU core inflation will reach 6.7% (EC) and 6.3% (IMF) in 2023.

Inflation forecast	Region	2023P	2024P	2025P
Central Bank of Malta	Malta	5.3%	2.9%	2.3%
European Commission	Malta	5.4%%	2.8%	N/A
	EU-27	6.7%	3.1%	N/A
	Euro Area	5.8%	2.8%	N/A
IMF	Malta	5.8%	3.4%	2.3%
	EU-27	6.3%	3.3%	2.4%
	Euro Area	5.3%	2.9%	2.2%

[3] European Commission Spring 2023 Economic Forecast

[4] IMF World Economic Outlook (April 2023)

Malta's Unemployment

In line with increased economic activity, unemployment rates continue to decrease. This has led to a tighter labour market which cannot be fully serviced by the local workforce. In turn, this has led to a significant influx of foreign labour that has continued to increase the local population as well as increase competition between employers. At the end of May 2023, the unemployment rate reached 2.8%, which is 0.3% lower than it was in May 2022.[5]

As of May 2023, the EU-27 unemployment rate average (based on seasonally adjusted figures as a % of the total working population) was 5.8%, whereas the local unemployment rate stood at 2.8%.[6] In this regard, Malta had the third lowest unemployment rate in the EU, only slightly higher than the Czech Republic and Poland. This reflects Malta's strong position vis-à-vis other European jurisdictions.

Malta's Residential Property Market

The Maltese real estate market has always been strong. It experienced capital appreciation for three decades, withstanding even the global economic crisis of 2009, as well as the effects of the pandemic.

Following the pandemic-driven slow down experienced in 2020, the real estate market in Malta bounced back to record volumes in 2021. However, this increase could be attributed to a backlog of contracts that were halted during the pandemic year and eventually finalised in 2021. The number of property transactions completed in 2022 was comparable to that of 2021 and slightly above 2019 figures, showcasing the robustness of the local residential property market.

During the first quarter of 2023, the Property Price Index (PPI) stood at 148.89, representing an increase of 6.6% compared to the corresponding quarter of 2022. Provisional figures indicate that the main driver of the increase was the Apartments Price Index (148.97), registering an annual increase of 6.8%. Along with the recovery from the pandemic, the economic and population growth spiked demand in the local residential property market.

Sales to non-nationals tend to be concentrated in larger, new developments (typically in Special Designated Areas [SDA]) whereby the conditions of acquisition are the same for Maltese and foreign residents. Furthermore, non-EU nationals are eligible to purchase more than one property in an SDA.

[5] NSO: Unemployment Rate: May 2023 NR111/2023,

[6] Eurostat: Harmonised unemployment rates (%) - monthly data

Economic agility, diversification and stability

In recent years, Malta distinguished itself across a range of industries, particularly the financial, maritime, aviation, digital and high-end manufacturing ones. Indeed, during the seven years preceding the pandemic saw Malta nurtured a truly robust and resilient economy, with consistently high rates of GDP growth, record unemployment lows and multiple years of fiscal surpluses.

The decision 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, BNF 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 Maltese government with the tools to help sustain the economy and withstand the challenges posed by the pandemic. This solid foundation, once restrictions were lifted, facilitated a fairly rapid economic turnaround and the recovery process began in earnest.

This is highlighted in Malta's Economic Vision 2021-2031, which sets out the overall direction and mission to ensure Malta's future success. The vision emphasizes community vitality, virtualisation and innovative solutions. This will be achieved by focusing on five overarching pillars:

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 educational conditions for the acquisition of 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 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 the country as a trustworthy, transparent and efficient economic partner on the global sphere.

This long-term economic vision for Malta was set out to be aligned 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;
- €316 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.

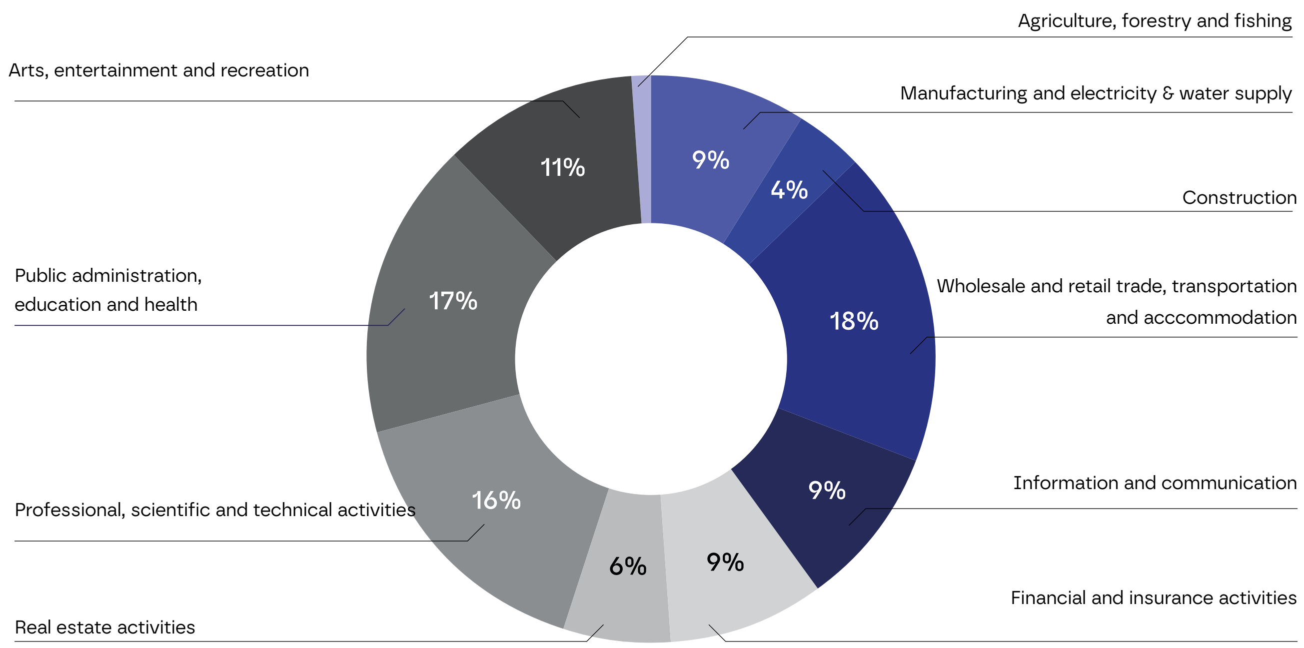
To continue on this positive trajectory, a key driver of Malta's future economic growth is to the further nurturing of the health and sustainable growth of Malta's financial sector, whilst adhering to the highest levels of good governance.

Diversification into new niches of economic activity is at the forefront of Malta's economic vision and will be essential to create a compelling value proposition for innovative businesses to base their operations here. 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 its spending 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, artificial intelligence (AI) and Internet of Things (IoT) are high on the country's agenda. 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 2022

Source: NSO



MALTA'S KEY ECONOMIC SECTORS

High-value manufacturing

Several foreign corporations have relocated their manufacturing divisions to Malta to benefit from a skilled, multilingual 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.

Gaming

In 2004, Malta was the first EU Member State to regulate online gaming, gaining a significant competitive edge over its EU counterparts. The country is also exploring an eSports strategy, a promising industry, 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 circa 350 iGaming companies. 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 license provides real value and is held in high esteem.

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. Local interest has grown, and the industry has experienced a steady growth in popularity thanks to numerous competitions and events.

Maritime

Traditionally, the marine and maritime sector has played an important role in the local economy. The country now has one of the largest ship registers in the world. It is well connected and set up for sea transportation, offering various berthing, ancillary and other services to private vessel and superyacht owners. Furthermore, Malta is a neutral state offering both economic and political stability along with a cost-effective jurisdiction for ship registration. The country has also dedicated resources to position itself as a leader in new emerging activities such as aquaculture, marine biotechnology, renewable energy and e-maritime services.

To provide more efficient regulatory practices to internal operators and improve customer relations and administration for a such a nationally vital economic sector, Malta's Recovery and Resilience Plan allocated part of the €55 million – earmarked to foster a digital, smart and resilient economy - to the digitalisation of the Merchant Shipping Directorate within Transport Malta. The investment will support the development of IT systems that will include the digitalisation of 15,000 physical shipping files, the vessel management system, a digital maritime interface, an improved seafarers management system and maritime analytics tools.

Financial Services

Malta has become a long-standing, reputable international financial services hub with several big players already on the island, including many insurance firms. The core pillars of Malta's financial sector are represented by domestic and international institutions including Credit & Financial, Investment Funds & Asset Management, Insurance & Reinsurance, Private Wealth, and more recently Fintech companies.

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 global Fintech sector is finding it attractive to relocate here due to the wealth of local talent, both in the technological and financial fields.

Healthcare

Malta's public healthcare is among the best in Europe and is provided to residents free of charge. Referred to by some as *"The Hospital of the Mediterranean"*, the country's reputation serves as an insight into the high level of care provided across the country.

Malta's vision for the future is to continue to offer, high-end and efficient healthcare, including better amenities and quality services as well as a plan to become a reputable health-tourism hub.[7]

To this end, one of the main components outlined in Malta's Recovery and Resilience Plan is to strengthen the built-in adaptability of the health system through policy reforms and investments focusing on prevention measures, improvement of quality medical treatment, digitised services, and further bolstering of the workforce. This component of the Recovery and Resilience Plan has been allocated a budget of €50 million.[8]

[7, 8] Malta's Recovery and Resilience Plan

Digital Strategy

The Maltese government has taken a clear and proactive stance on technological innovation. ICT is identified as a crucial facilitator in the development of the nation's economy, asserting the country's aspiration to become a disrupter. 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). In terms of ICT infrastructure[9], Malta has ranked 20th in the world.

The country has now set out to establish itself in the field of Artificial Intelligence as well as fostering a digital, smart and resilient economy. 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. "Malta's Recovery and Resilience Plan" has been allocated €55 million to fast track digital transformation. The goal is to strengthen the national policy framework, including two policy reforms that will facilitate the further digitalisation of services in public administration and regulatory bodies and four areas of investment that will support both the public and private sectors in digitalisation and the improvement of overall security and efficiency.

The Malta Digital Innovation Authority has set aside €4.1 million for a plan to launch six new artificial intelligence programs covering transportation, energy, health, education, tourism, and online government services in Malta. The plan will target Malta's aspiration of becoming a hub for AI technology development, testing and implementation.[10]

Education

All public education up to the tertiary level is of high quality, free and receives 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 early 2019, offers students a mix of undergraduate, graduate and doctorate programs in areas of business, engineering and technology, and arts.

In recent years Malta's education system benefitted from investments in solid ICT infrastructure, offering students access to crucial technology which has enabled enhanced digital learning as well as facilitating online learning.

Construction

During the pandemic, the Maltese construction sector continued to grow albeit at a slower rate, demonstrating the resilience of the local construction sector during difficult economic times. While the construction industry continued to grow in 2021, after nearly a decade of remarkable growth, 2022 saw a notable dip in the GVA from the construction sector. In 2022, it decreased by 7%, c. €560 million to c. €520 million.

Nevertheless, the construction industry continues to be an important sector in the local economy, accounting for roughly 4.3% of the total GVA of the economy.

Tourism

The tourism sector is a significant contributor to the local economy, with the island attracting millions of visitors each year. One of Malta's main strengths as a tourist destination is its rich history and cultural heritage. The island boasts several UNESCO world Heritage sites, including Valletta, the Hal-Salfieni Hypogeum and the Megalithic Temples. These sites along with other historic sites around the island such as Mdina, Rabat, the 'Three Cities', and Gozo, allow Malta to attract a number of cultural tourists.

Malta is also known for its warm sunny Mediterranean climate with a number of beautiful beaches and diving spots around the island. In 2022, 12 beaches around the Maltese islands were awarded the blue flag award, which recognises the quality, cleanliness and sustainability of the island's beaches. Popular beaches include the Blue Lagoon in Comino, Paradise Bay, Mellieha Bay and Ramla il-Hamra in Gozo.

Prior to the COVID-19 health crisis, the Maltese tourism industry grew significantly year on year. Understandably, the pandemic wreaked havoc on the sector, facing a number of restrictions and intermittent disruptions.

However, the local tourism industry showed significant improvements in 2022 with c.2.3 million tourists visiting the island during the calendar year. This is equivalent to c. 84% of 2019 levels. In 2023, Malta's tourism industry is expected to see a complete recovery from the pandemic, with Q1 2023 already showcasing strong performance for the local tourism sector.

Due to considerable growth in tourist arrivals over the last decade, in recent years there has been a significant investment in supply-side projects, which are expected to come to fruition in the next few years, increasing the available

[9] Global Innovation Index 2021

[10] economy.gov.mt

bed-stock in Malta. The bed-stock of private accommodation, through aggregators such as Airbnb, has also grown exponentially in recent years. All of this has led to concerns over the sustainability of the local tourism industry.

In this regard, a recent study commissioned by the MHRA highlighted that if the possible increase in bed stock exceeds the expected growth in demand, then this could impact the financial sustainability of the tourism accommodation sector. Such a scenario could potentially lead to lower occupancy rates which could result in a price war between competitors, impacting the long-term profitability of collective accommodation providers.

Aviation

The local economy offers all the services required for aircraft operations. Aircraft manufacturers, operators and ancillary service providers are based in two dedicated aviation parks. In agreement with Malta Enterprise and INDIS for a new three bay, heavy maintenance hangar facility at Malta International Airport, Ryanair has announced an investment of €20 million[11]. The investment is expected to create over 250 highly skilled jobs.

In January 2023, Malta launched its first national aviation policy, titled 'A Civil Aviation Policy for Malta 2023-2030.'[12] The policy identifies five key strategic pillars, which include:

1. Capacity building;
2. Optimising economic benefits;
3. Increasing stakeholder participation;
4. Revising regulations and legislation; and
5. Sustainability.

These five strategic pillars also include 24 policy objectives which need to be achieved by 2030. These objectives are expected to result in an overall improvement of local human resources and skills in the aviation sector, creating a path to work towards Malta's decarbonisation goals whilst maintaining Malta's key connectivity and competitiveness. Moreover, the policy seeks to develop and support emerging niches such as drones and eVTOL (electric vertical take-off and landing) aircraft.

[11] STQARRIJA MILL-UFFIĊĊJU TAL-PRIM MINISTRU Ryanair b'investiment ta' €20 miljun fil-manutenzjoni u fit-tiswija tal-ajruplani, u li ser joħloq 250 impjieg f'pajjiżna

[12] A Civil Aviation Policy for Malta 2023-2030

REASONS TO INVEST IN MALTA

Malta has emerged as one of Europe's best performing economies with high GDP growth, low unemployment and agile resilience throughout the pandemic. Characterised by its pro-business attitude, cutting-edge technology, competitive labour costs and a strategic location, Malta proved to be alluring to foreign professionals and international companies in a range of sectors, including finance, maritime and digital industries.

Malta ranks 21st among 132 economies featured in The Global Innovation Index (GII). The GII ranks world economies according to their innovation capabilities. Meanwhile, Malta's global innovation output ranks 13th, highlighting strong knowledge and technology-based and creative product outputs. Infrastructure, business sophistication and creative outputs all rank in the top 30 amongst 132 other economies[13].

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. The country 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 for corporations and individuals.

Ease of access

At 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 continued to operate here - Emirates, Lufthansa, British Airways, Qatar Airways, Ryanair, EasyJet, Wizzair, Alitalia, Air France and Turkish Airlines.

As identified in Malta's national aviation policy, following the loss of connectivity, the Maltese government together with key local stakeholders have prioritised investment in rebuilding and growing Malta's air connectivity and seat capacity.

Furthermore, in December 2020, the 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 growing passenger demand and boost tourism. In February 2022, the Malta International Airport board of directors gave the €40 million project the go-ahead[14]. The initial part of the project is expected to be complete by 2024, with completion earmarked for 2026. Apron X will be able to accommodate up to seven additional medium-sized aircraft or three larger ones.

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.

Infrastructure

Substantial investment in both the public and private sectors is being made 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 growing population, the infrastructure has been struggling to keep pace, mainly due to the increasing number of cars on the road. As of 2023 Q1, the total of licensed motor vehicles reached 426,720[15].

As a result of overcrowding, the government has invested heavily in new roads, as well as increasing and upgrading junctions in key traffic nodes. Such ventures include the Marsa flyover project, which was completed in April 2021, the Central Link project completed in January 2022, as well as the airport road infrastructure project which is nearing completion. The 2023 national budget allocated €700 million towards greening projects with the purpose of creating community spaces and an inclusive environment[16].

Workforce

The labour force is productive, highly educated, speaks English, is 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 the right fit skilled human resources and to curtail skills mismatches.

Start-ups

The Maltese Government has recognised the key role that new entrepreneurs, innovators and disruptors 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. "Start in Malta" is a governmental initiative aimed to stimulate the Maltese start-up conditions to become the home turf for many more successful start-ups[17].

Containment

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

Climate and energy

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

History and activities

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

Foreign Direct Investment (FDI)

Foreign direct investment in Malta remains on the rise, with Germany leading as the largest investor, followed by Italy and the United Kingdom. Additionally, investments from strong economies such as the United States, China and India are contributing to this trend. Despite maintaining excellent relations with the US, China and the UK, Malta relies on its diligent workforce and is free of foreign debt.

The Maltese government regularly updates and implements policies and incentives to enhance the island's appeal as an attractive destination for FDI. Malta stands out as an appealing destination for start-ups, particularly in the digital, technical and manufacturing sector. Malta Enterprise is the country's economic development agency, tasked with attracting new foreign direct investment as well as facilitating the growth of existing operations. The island's favourable FDI environment is facilitated by its strategic location and size, the absence of a language barrier, and the availability of enticing packages designed to support the growth and success of start-ups. Indeed, Malta has witnessed the emergence of multiple successful start-ups which serve as a testament to Malta's supportive ecosystem. These promising factors highlight Malta's attractiveness as an investment destination.

FDI in scientific activities, remote gaming, communications and other sectors, increased by almost €250 million in 2022, leading to the total stock of foreign assets in these digital sectors of €1 billion. This clearly shows that the transformation to digital sectors was a crucial step for Malta to achieve its carbon neutrality goals.

[13] Global Innovation Index 2022

[14] https://maltairport.com/e40-million-investment-in-new-apron-given-the-green-light-by-malta-international-airports-board-of-directors/

[15] NSO: Motor Vehicles: Q1/2023

[16] PRESS RELEASE BY THE MINISTRY FOR TRANSPORT, INFRASTRUCTURE AND CAPITAL PROJECTS A budget which builds on the vision of Malta that we want to leave for our children

[17] Department of information Malta: Press Release - PR230066

Maltese citizenship by naturalisation for exceptional services by direct investment

The 'Maltese Citizenship by Naturalization for Exceptional Services by Direct Investment' provides for the granting of a certificate of naturalisation as a citizen of Malta to any foreign individuals and their families who contribute to the economic development fund of Malta and meet certain statutory 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, which may be reduced to a minimum of 12 months in cases of exceptional direct investments;
- 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's 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 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, for a period of 90 days in a 180-day period.

The main applicant must satisfy the following five criteria:

- pay a non-refundable administrative fee of €40,000;
- purchase property worth over €350,000 (or €300,000 for a property situated in Gozo or the South of Malta) or rent for more 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 one, 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 s/he has capital assets more 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. Although the corporate taxation rate stands at 35%, upon the 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 distribute a dividend 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 rating 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 if 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 (EU/EEA/Swiss and third country nationals) who are not in employment and who receive a pension as their regular source of income, all of which must be received in Malta and 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 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 economic sectors. 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 of 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 aforementioned incentives and schemes are having a multiplier effect on the Maltese economy and leading to an increased demand for upmarket property in the country.

Hospitality and Leisure

Hospitality and Leisure

Tourism is one of the main pillars of the Maltese economy, which significantly contributes towards Malta's overall GDP and job opportunities. Prior to the pandemic, Malta attracted 2.8 million tourists in 2019. Given the context that Malta's population amounts to just over half a million, the number of tourist arrivals is considered to be substantial.

Between 2015 and 2019, tourist arrivals increased by a compounded annual growth rate of over 8.9%[1], which is significant when compared to EU averages. In 2020 and 2021, inbound tourism fell drastically due to the global health crisis and associated travel restrictions.

[1] National Statistics Office, Inbound Tourism: December 2022

[2] National Statistics Office, Inbound Tourism: May 2023

Over 2022, Malta experienced a strong rebound in visitor arrivals, with the total number of inbound tourists reaching 2,286,597 for the year 2022. This increase persisted in the first five months of 2023 with inbound tourists reaching 994,804[2] visitors, which represents a 7% increase over the same period in 2019 (pre-pandemic).

Main Indicators for Inbound Tourism for Malta 2018-2022

	2018	2019	2020	2021	2022	% change 21-22
Inbound tourists, not including overnight cruise passengers (thousands)	2,599	2,753	659	969	2,287	+136%
Tourist guest nights (thousands)	18,570	19,350	5,230	8,390	16,608	+98%
Average length of stay (days)	7.1	7.0	7.9	8.7	7.3	-16%
Tourism expenditure (€ millions)	2,100	2,200	455	871	2,012	+131%

Source: National Statistics Office, Inbound Tourism: December 2022

May to October are typically the peak tourist months with August being the busiest. In 2022, tourists coming from the EU accounted for around 68% of all inbound visitors. Over 2022, the UK remained Malta's main source market, accounting for 19% of annual arrivals. Around 17% of tourists come from Italy, closely followed by French visitors, accounting for approximately 11% of total annual inbound visitors respectively[3].

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, sports, and English language learning. The majority of tourists are aged between 25 to 44 years old[4].

As at Q1 2023, the number of hotels in Malta and Gozo stood at **130, amounting to c. 36,000 beds**. The majority are 4- and 3-star establishments, housing 17,679 and 9,508 bed-places respectively. During the first quarter of 2023, 50.5% of non-resident hotel guests stayed at 4-star hotels, while 29.7% stayed at 3-star ones, and 17.4% opting for 5-star[5]. In addition to the hotels, there were another 127 collective accommodation establishments with a total of c, 5,500 bed-spaces. This segment includes guest houses and boutique hotels amongst other small establishments.

The local hospitality industry continued to show strong recovery in FY23 which we used to our full advantage. Throughout the turbulent times of the pandemic the db Group showed its strength and resilience, opting to focus on growth to remain responsive to the eventual end of the unfavourable times for tourism.

Along with the significant investments made by the Group, with an emphasis on upgrading and growing our business, we took the bold decision of retaining all our employees in the hospitality and leisure division. The risk paid off as evidenced by our rapid post-pandemic response and recovery.

In this respect, in line with Malta's strong rebound in tourist arrivals, in FY23, the Group's performance has improved significantly when compared to FY21 and FY22. The strong results in FY23 indicate that we are reaping the benefits of the bold financial investment and the resilience shown in the face of the challenging period brought about by the pandemic. Over the course of FY23, we are satisfied to see the hotels perform at a healthy and competitive level as indicated by the financial results presented below.

[3] National Statistics Office, Inbound Tourism: December 2022

[4] National Statistics Office, Inbound Tourism: December 2022

[5] National Statistics Office, Collective Accommodation Establishments: Q1/2023

db Seabank Resort + Spa

db Seabank Resort + Spa

TIMELINE

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.

2018

With a capital injection of €1.5 million the pool area is renovated, and the service offering is enhanced with more guest facilities. 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 are used to refurbish hotel rooms and different sections of the hotel.

2022

Upgrades are made in the hotel restaurants, with Tramun Taghna and Pellicola receiving a full overhaul and rebranding, now known as Salia and Levant, respectively.

2023

As part of the Group's continuous investment for the future, in 2o23 the Group invested in new digital technology leading to the Group launching a comprehensive mobile application. The brand-new hotel app will revolutionise the guest experiences and enhance the hotel's services.

The db Hotel brand commenced on a rebranding journey, embracing a fresh new identity that reflects our evolving vision and values.

db SEABANK RESORT + SPA

The db Seabank Resort & Spa is a 4-star all-inclusive hotel, furnished with 538 rooms and is located in Mellieħa Bay. It has been in operation since 1992 and is Malta's first fully all-inclusive resort. It offers superior service and enjoys spectacular unobstructed sea views. The hotel sits on approximately 23,000 square metres of land, 19,000 square metres of which are landscaped, and employs over 390 persons from 40 different countries.

In 2012, with an injection of €40 million, the resort was renovated and extended to a 540-room facility. The hotel offers 7 themed restaurants, 3 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.

Year on year, the Group has continued to invest in developing and upgrading the hotel, maintaining an excellent and fresh quality accommodation establishment. Between 2021 and 2022, the Group utilised periods of closure due to the COVID-19 pandemic as an opportunity to upgrade and refurbish a number of hotel rooms and areas of the hotel. As a result, today the Group is able to welcome guests to a modern, attractive and quality hotel.

The db Seabank Resort + Spa offers guests a total of 10 varied food and beverage establishments to choose from during their stay. Over the years, the Company has ensured it keeps up with consumer trends by frequently updating their offering through reinvestment and renovation at their establishments. They have commissioned new restaurants and updated their offerings which continues to showcase their strong understanding of market demands and SD Holdings' extensive experience in the hospitality and catering industry. Through constant re-investment and refurbishments, the Group ensures that they are able to provide exciting new experiences for both resident and non-resident guests.

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

Tripadvisor

Travelife Sustainability in tourism

HolidayCheck.com

Jet2holidays Package holidays you can trust

Booking.com

Hotels.com

LIST OF AWARDS

2023
- Traveller's Choice Award by Tripadvisor
- Traveller's Review Award by Booking.com
- 2023 KAYAK Travel Awards
- Top Hotel Partner 2022 by Schauinsland Reisen

2022
- Traveller Review Award by Booking.com
- Traveller's Choice Award by Tripadvisor
- Forbes Travel Guide "Sharecare VERIFIED"

2021
- Traveller Review Award by Booking.com
- Traveller's Choice Award by Tripadvisor
- Recommended Hotel by HolidayCheck

2019
- Traveller's Choice by Tripadvisor 2018
- Traveller's Choice by Tripadvisor 2017
- Traveller's Choice by Tripadvisor
- Top-rated All-inclusive Hotel for the year by Hotels.com

2018
- Certificate of Excellence by Tripadvisor

2016
- Certificate of Excellence by Tripadvisor
- Traveller's Choice by Tripadvisor
- Loved by Guests Award
- Guest Review Award by Booking.com

2015
- Certificate of Excellence by Tripadvisor
- Traveller's Choice by Tripadvisor
- Hall of Fame Award by Tripadvisor
- Excellence Award by Booking.com
- Quality Award by Jet2holidays

2014
- Certificate of Excellence by Tripadvisor
- Traveller's Choice by Tripadvisor
- Most Popular Hotel in Mellieħa by HolidayCheck.com
- Gold Award Accessible Tourism by Travelife

2013
- Top 25 All-Inclusive Resort in Europe by Tripadvisor
- Certificate of Excellence by Tripadvisor
- Traveller's Choice by Tripadvisor
- Quality Selection Certificate by HolidayCheck.com

2012
- Certificate of Excellence by Tripadvisor

2011
- Certificate of Excellence by Tripadvisor

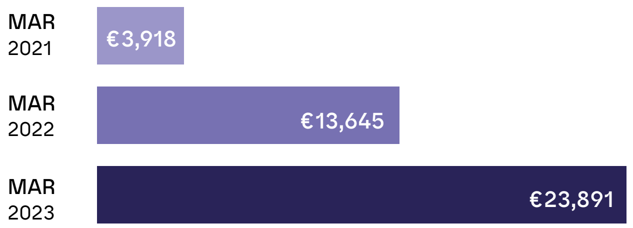
FY23 RESULTS AND KPIS

Throughout FY23, performance of db Seabank has improved significantly, taking full advantage of the rebound in tourism activities post-pandemic restrictions. FY22 was characterised by significant signs of recovery and growth with occupancy levels increasing to 53% from 15% in FY21. FY23 showcased further improvements to reach an occupancy level of 86% surpassing levels achieved pre-pandemic. In this financial year, the achieved average room rate increased by 5% compared to FY22. The reported Gross Operating Profit (GOP) improved to reach €7.4 million, with the GOP margin of 31%.

75.1%

CHANGE FY 2022/FY 2023

REVENUE (€000's)



5.2%

CHANGE FY 2022/FY 2023

AVERAGE ACHIEVED ROOM RATE (€)

1.1%

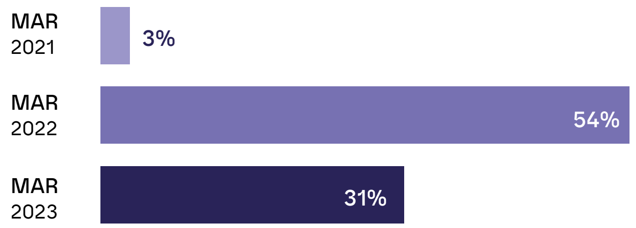
CHANGE FY 2022/FY 2023

GROSS OPERATING PROFIT (€000'S)

-22.8%

CHANGE FY 2022/FY 2023

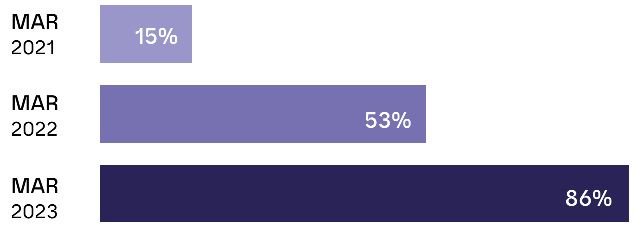
GROSS OPERATING PROFIT MARGIN: (%)



32.7%

CHANGE FY 2022/FY 2023

OCCUPANCY (%)



db San Antonio Hotel + Spa

db San Antonio Hotel + Spa

TIMELINE

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. In the latter alone, €360,000 were invested.

2022

Periods of closure due to COVID-19 are used to renovate and rebrand the Saboroso- Comadia Latina restaurant at the hotel, which opened in May.

2023

As part of the Group's continuous investment for the future, in 2023 the Group invested in new digital technology leading to the Group launching a comprehensive mobile application. The brand-new hotel app will revolutionise the guest experiences and enhance the hotel's services.

The db Hotel brand commenced on a rebranding journey, embracing a fresh new identity that reflects our evolving vision and values.

db SAN ANTONIO HOTEL + SPA

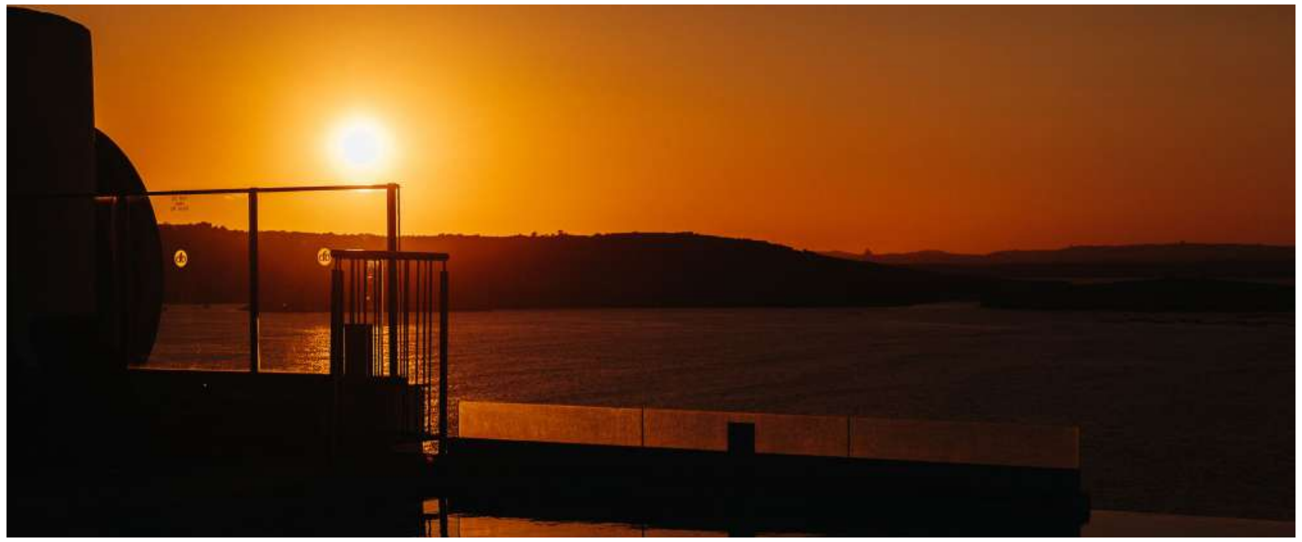
The 4-star all-inclusive db San Antonio Hotel + Spa forms part of the db hotel chain brand. Located in St Paul's Bay, it is built in a Moorish style and has 500 rooms spread over ten floors. The hotel has over 450 staff from 44 countries. It includes 7 themed restaurants, two bars, indoor, outdoor, and rooftop pools, a fitness centre, a Hammam spa, and extensive conference facilities.

Operating since 2002, db San Antonio Hotel + Spa was 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 carrying out further work and investment at this hotel as well. Most of the rooms and public areas were refurbished - plastering, pointing, painting and repainting. Moreover, a further €360,000 was invested in the refurbishment of the spa which now has a total of 7 treatment rooms, a hammam, ayurveda room and sultan's bath. The indoor pool including the hydro bath area has also been refurbished and upgraded. The result of this investment was that guests arriving over the past year could enjoy a range of new and improved facilities, ensuring the hotel offers an excellent accommodation product.

Furthermore, due to new restrictions imposed by the government during the course of the pandemic, periods of lower demand were used to fully renovate and rebrand one of the hotel restaurants, now called Saboroso-Comadia Latina. The restaurant became fully operational in May 2022.

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



LIST OF AWARDS

2023
- Traveller's Choice Award by Tripadvisor
- 2023 KAYAK Travel Awards
- ECO Certification by MTA
- Traveller Review Award by Booking.com
- Top Hotel Partner 2022 by Schauinsland Reisen

2022
- Traveller Review Award by Booking.com
- Forbes Travel Guide "Sharecare VERIFIED"

2021
- Traveller Review Award by Booking.com
- Traveller's Choice Award by Tripadvisor
- Recommended Hotel by HolidayCheck

2019
- Certificate of Excellence by Tripadvisor

2018
- Certificate of Excellence by Tripadvisor

2017
- Traveller's Choice by Tripadvisor
- Certificate of Excellence by Tripadvisor
- 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 Tripadvisor
- ECO certified by the Malta Tourism Authority
- Guest Review Award by Booking.com
- Recommended Hotel Award by HolidayCheck

2015
- Traveller's Choice by Tripadvisor
- Certificate of Excellence by Tripadvisor
- Top Bargain Hotel by Tripadvisor
- 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 Tripadvisor
- Recommended Hotel by Zoover
- Top Overall Ratings by venere.com
- Top Clean Award by venere.com

2012
- Certificate of Excellence by Tripadvisor

2011
- Certificate of Excellence by Tripadvisor

2010
- Best Hotel in Qawra by Zoover

FY23 RESULTS AND KPIS

db San Antonio Hotel & Spa also experienced an improved performance as activities for the hospitality sector are returning to pre-pandemic levels. Annual revenue for FY22 also experienced a steep increase of 150% to reach €12.27 million. FY23 built on a strong performance and delivered an annual revenue of €21.06 million. The average achieved room rate also increased slightly from €117 in FY22 to €118 in FY23. Occupancy rates increased significantly from 54% in FY22 to 84% in FY23. The hotel reported a GOP of €9.33 million and a GOP margin of 44%.

71.6%

CHANGE FY 2022/FY 2023

REVENUE (€000's)

0.9%

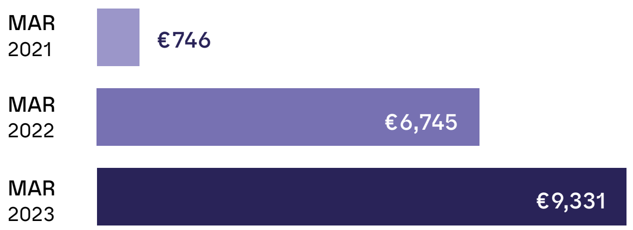
CHANGE FY 2022/FY 2023

AVERAGE ACHIEVED ROOM RATE (€)

38.3%

CHANGE FY 2022/FY 2023

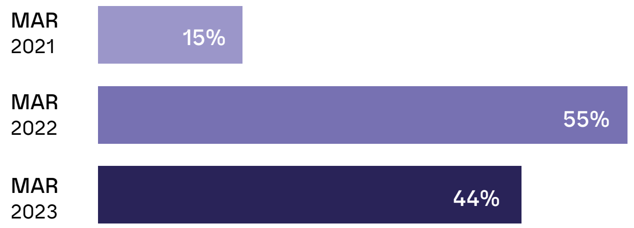
GROSS OPERATING PROFIT (€000'S)



-10.7%

CHANGE FY 2022/FY 2023

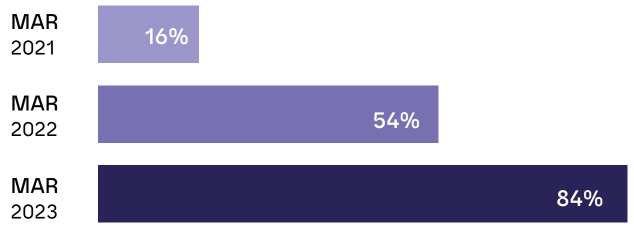
GROSS OPERATING PROFIT MARGIN: (%)



29.1%

CHANGE FY 2022/FY 2023

OCCUPANCY (%)



The Melior Boutique Hotel

The Melior Boutique Hotel

Situated in the heart of Valletta, the Melior Boutique Hotel officially opened its doors at the start of 2022, along with the on-site Starbucks Reserve Bar, located directly below the hotel. This boutique hotel houses 18 stylish rooms and suites designed thoughtfully to provide guests with the ultimate level of comfort and convenience.

The renovations embraced elements and aesthetics of Maltese culture, carefully designed to complement the existing architecture and finishes of the original building. An exhibition of specially commissioned wall murals and art pieces from local Maltese artists adds to the overall experience. The iconic address at 300, Republic Street means that guests are offered many of Malta's must-see sites and attractions right at their doorstep.

The Melior Boutique Hotel opened its doors in the midst of some of the most turbulent times, January 2022, the last 9 weeks of FY22. It was a move that may have seemed unusual to most; but offers insight into the powerful strategic vision that db Group employs. Choosing to grow, rather than retrench operations, the Group's unique awareness of its operational environment is evident.

Melior Boutique Hotel has within less than a year established its position in the market and was successful in attracting high quality guests. It has been highly rated on various websites and boasts an occupancy rate of 43% which showcases its quality and success in the local market.

REVUE: (€000's)

€361

March 2023

OCCUPANCY (%)

43%

March 2023

AVERAGE ACHIEVED ROOM RATE (€)

€110

March 2023

Porto Azzurro Hotel

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 HOTEL

Porto Azzurro is a 3-star, 125-room aparthotel situated on the coast of Xemxija Bay, 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, an internet café, a launderette, a mini-market, a dedicated restaurant and a pizzeria. Leisure facilities include outdoor, indoor and children's pools, a whirlpool, a jacuzzi, a fitness centre and a games room.

In FY21, operations were limited as a result of the global pandemic, with total annual revenue amounting to circa. €178,000. In FY22, however, the hotel saw a strong rebound in demand, with total revenue amounting to circa. €447,000, resulting in a gross operating profit of €12,000. FY23 was a strong recovery for Porto Azzurro with the aparthotel generating over €1.26 million in revenue, translating into a gross operating profit of €517,00.

181.8%
CHANGE FY 2022/FY 2023

REVENUE: (€000s)

-10.3%
CHANGE FY 2022/FY 2023

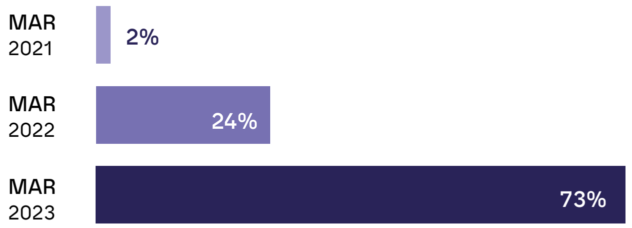
AVERAGE ACHIEVED ROOM RATE (€)

327.3%
CHANGE FY 2022/FY 2023

GROSS OPERATING PROFIT (€000's)

49.5%
CHANGE FY 2022/FY 2023

OCCUPANCY (%)



Hard Rock Café Malta

Hard Rock Café Malta

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

Malta International Airport

Hard Rock Bar, Malta International Airport is situated in the departures lounge and is the first Hard Rock Bar in an airport in the world.

Valletta

Hard Rock Café, Valletta Waterfront has a seating capacity of 140 and is equipped with a cocktail bar.

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

The Hard Rock Hotel earmarked for St. George's Bay will pay homage to the original 19th century British military accommodation quarters. Hard Rock will contribute €2 million towards the €300 million ITS project.

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

LIST OF AWARDS

2023
Certificate of Excellence by Tripadvisor

2021
- Closure of the Hard Rock Café at Bay Street Complex in St. Julian's in November 2020 in preparation of a new outlet to open within the Hard Rock Hotel at the db City Centre, also in St. Julian's.

2019
Hard Rock Café Malta
- Certificate of Excellence by Tripadvisor

2014
Hard Rock Bar, Valletta
- Certificate of Excellence by Tripadvisor

2007
Hard Rock Café Malta
- Best Franchise of the Year Award

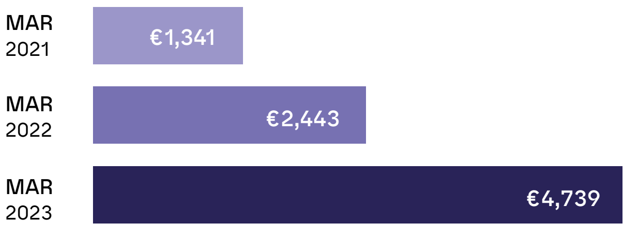
2004, 2007 & 2010
Hard Rock Café Malta
- Top of the Rock Award

2023 RESULTS AND KPIS

During FY23, Hard Rock Café generated €4.74 million in revenue, representing a significant increase of 94% on its revenue for FY22, amounting to €2.4million.

94.0%
CHANGE FY 2022/FY 2023

Revenue (€000's)



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.

In 2018, db Group announced a licensed exclusive partnership to operate and develop a number of Starbucks across the Maltese islands. As Starbucks' 80th global market, the first Starbucks store opened its doors at Vault 15 at the Valletta Waterfront, which was featured in the international press as one of four Instagram worthy outlets to visit globally.

Despite the challenges brought about by the pandemic, the Group continued to invest in the Starbucks brand. Not only did the outlets continue to hold their head above water during an acutely disruptive time period, but the Group persevered with the store roll-out plan, opening several new outlets since the start of the pandemic. The introduction of the Starbucks Reserve Bar outlet at Valletta in January 2022, further highlights the level of trust the world-renowned Starbucks brand has in the Group's ability to deliver excellence.

2023 RESULTS AND KPIS

With six additional new outlets opening in the 12 months under review, Starbucks generated €6.40 million in revenue for FY23, representing an increase of 116.8% compared to FY22, demonstrating the positive position and significant growth of the Starbucks brand in Malta.

116.8%

CHANGE FY 2022/FY 2023

REVENUE (€000s)

Starbucks Malta

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 expresses its pride to have introduced another global 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. As 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 Pike Place Market. This outlet is featured in the international press as one of four Instagram worthy outlets to visit. The second outlet opened in Mellieħa, in June 2019, at the Group's seaside complex in Għadira Bay, overlooking Malta's largest sandy bay.

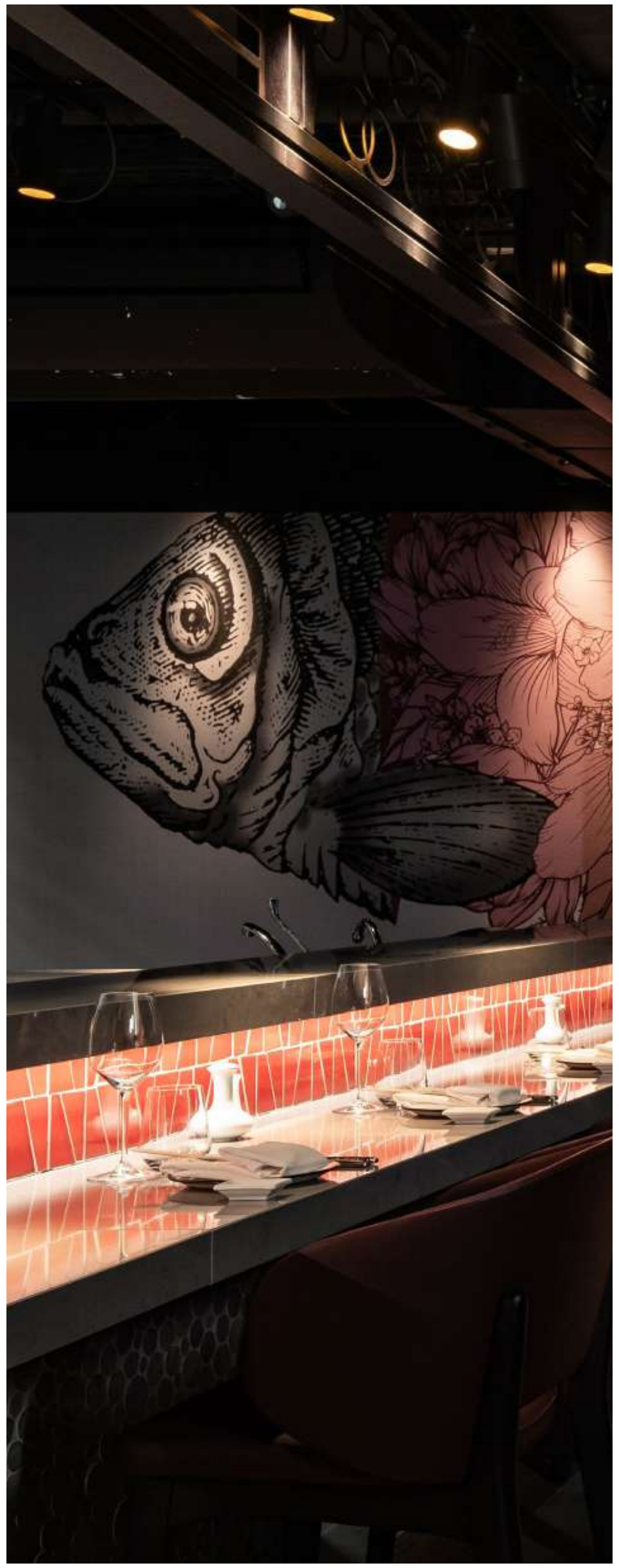
2020 As the Starbucks brand quickly gains traction, the third and fourth outlets open their doors - at the bustling Piazzetta Business Plaza on Tower Road, Sliema, and on the equally busy Islet Promenade in Buġibba. The Buġibba outlet opened in May 2020 when partial lock-down measures and operational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

2021 Even though 2021 proves to be an extremely difficult year, particularly for the leisure and hospitality sector, the db Group does not halt its investment plans and goes ahead with the planned store openings, opening an outlet at the Strand in Sliema in June 2021, its second outlet opened in this town in a year.

2022 In January 2022 the Group opened the unique *Starbucks Reserve Bar* in Valletta. Starbucks Reserve Bar is a series of premium cafes and roasteries that sell rarer, higher-quality coffees that are more carefully selected than traditional Starbucks coffee. This was a significant achievement which reaffirmed the level of trust shown in the Group's ability to deliver exceptional quality.

2023 db Group pursues its strategy further by opening six additional outlets in key locations and further consolidates its position within the local market. Further outlets are planned to be opened in the next financial year. To date the Group operates fourteen outlets, with a further four more outlets planned in the next 12 months.

Lifestyle Group



LIFESTYLE GROUP

Lifestyle Group is one of Malta's biggest hospitality businesses operating various restaurants around Malta. Lifestyle Group has a diverse portfolio of well-known and much-loved brands each with its own unique and differentiated offering, but all with great hospitality at their core. Lifestyle Group' diverse portfolio of brands provides something for everyone's lifestyle. Lifestyle Group believes dining and drinking are experiences to be enjoyed, even cherished.

In recent years, Lifestyle Group has established itself as a leader in the local catering market, providing a number of highly successful and award-winning culinary experiences. Over the last few years, Lifestyle Group has developed 12 unique concepts, many of which have achieved high ratings and various prestigious awards, demonstrating the Group's excellent track record in developing its own unique and successful brands.

The Lifestyle Group encompasses the following brands:

AKI 秋津

nine lives

LOA

AMAMI TASTES OF ASIA

AMAMI FOOD BAR

SONORA

Blū. Beach Club

WESTREME KITCHEN + BAR

TORA

VERÀNI

MANTA

espiral AUTHENTIC SPANISH FLAVOURS

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, BLU BEACH CLUB & WESTREME

AMAMI
Amami is a Japanese and Asian haute cuisine located at the complex. Dishes are 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.

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 offer patrons the ultimate in seaside leisure. Great attention is given to every detail – from the comfortable sun loungers to the sublime menu, from the carefully selected summer cocktails to the relaxing décor and interior design.

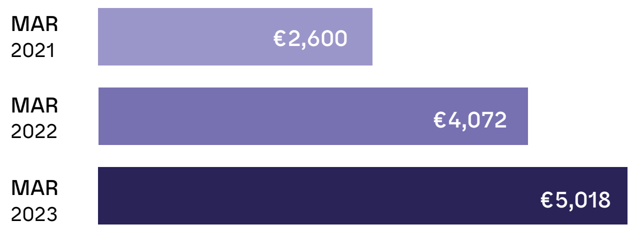
WESTREME
Westreme is a family restaurant offering an extensive and well-priced menu. Patrons enjoy the spectacular and tranquil views of the Mellieħa Bay while children have fun in the dedicated play area right in the restaurant, making it the perfect family outing.

2023 RESULTS AND KPIS

2023 marks the fifth year of operations since the complex was renovated and rebranded. Post-pandemic, revenues in FY22 experienced an increase of 57%, owing to the easing of restrictions coupled with the success of the establishments. Building on this success, FY23 was also met with an improved performance highlighting even further the strength of the brands, enabling revenues to increase by 23% to reach €5 million.

23.2%
CHANGE FY 2022/FY 2023

REVENUE (€000's)



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 one-of-a-kind chill out, swimming, and dining experience right at 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, tropical atmosphere, with regularly scheduled events.

Now in its fourth year of operation, Nine Lives continues to up its game, offering unique experiences through regular upgrades. It has established itself as a destination of choice amongst locals and tourists alike, achieving excellent operational and financial results.

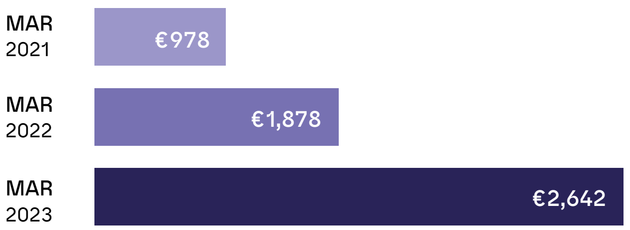
In FY23, Nine Lives achieved its highest level of revenue since operations began in 2019. Its continued growth and favourable performance reaffirms the Group's ability to create successful, novel leisure experiences, in a highly competitive environment.

During FY23, Nine Lives generated €2.64 million in revenue, an increase of 41% over the FY22 revenue of €1.88 million.

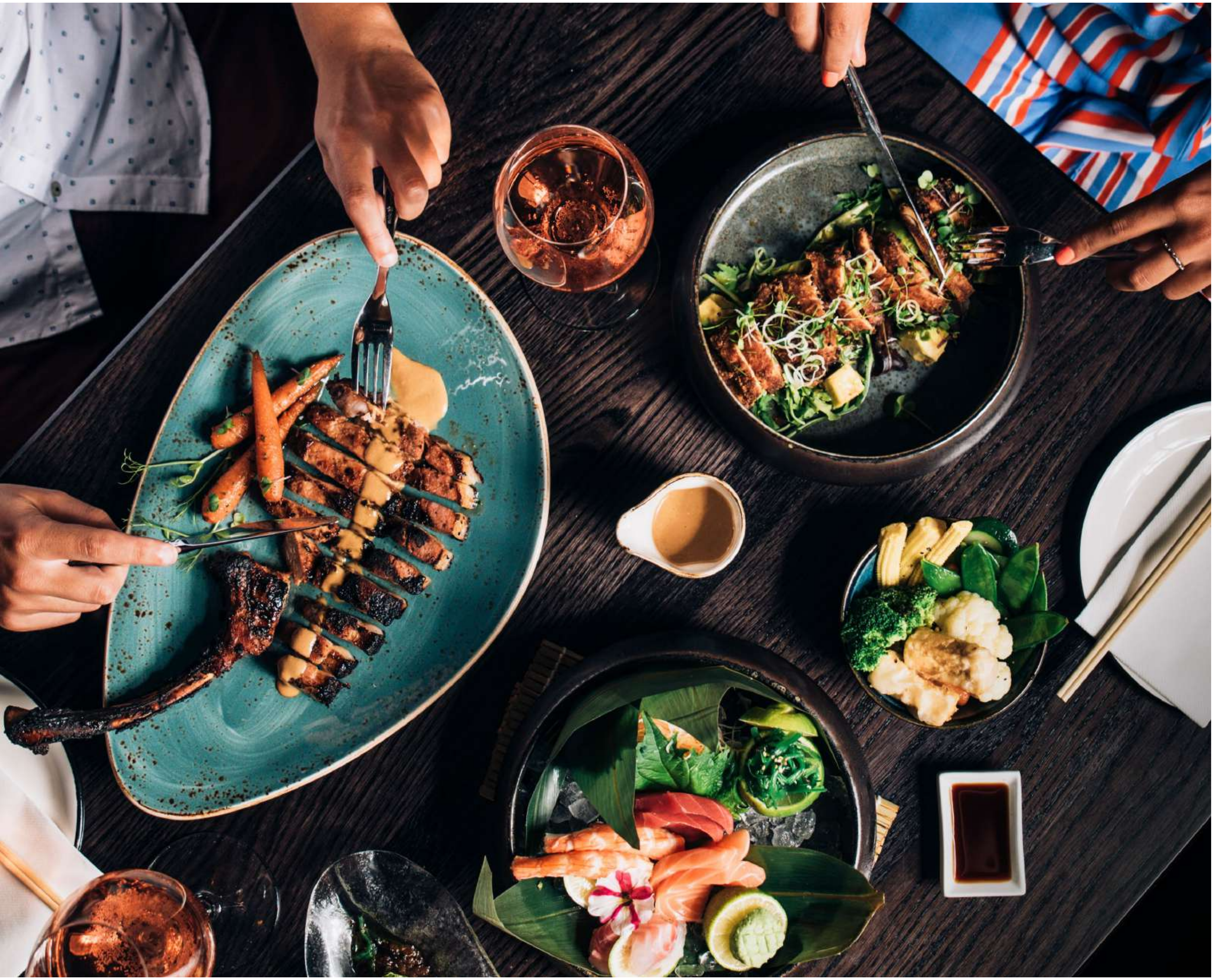
40.7%

CHANGE FY 2022/FY 2023

REVENUE (€000s)



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 carefully prepared signature Japanese-inspired dishes with flavours to satisfy contemporary plates. 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 and the lighting was entrusted to Into Lighting Ltd, a leader in lighting design with four decades of experience.

Now in its third year of operation, despite long periods of closure due to restrictions imposed throughout the COVID-19 pandemic, AKI had a positive year. It is often fully booked on weekends from days in advance and sales figures are solid and encouraging.

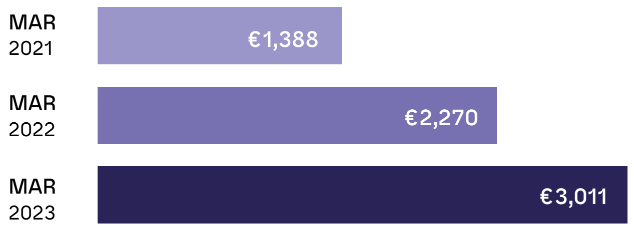
In 2022, AKI was included in the Michelin guide for the first time, evidencing the high quality of the all-encompassing experience provided by the restaurant. This success was repeated in 2023 when AKI successfully retained its prestigious position on the Michelin guide, reaffirming its reputation as a culinary destination of exceptional quality.

In FY23, AKI consolidated its position as a prestigious gastronomical restaurant and led to revenues generated of €3.0 million representing a 33% increase from FY22.

32.6%

CHANGE FY 2022/FY 2023

REVENUE (€000s)



LOA

LOA

LOA is an upmarket South American restaurant and lounge bar which is contributing to the upgrading of the area around the Sirens Aquatic Club. Nestled right under the historic Wignacourt Tower in St. Paul's Bay, LOA offers patrons unobstructed views of some of the most pristine waters in Malta. In culinary terms, it showcases the best of Nuevo Latino cuisine, fusing traditional Latin flavours with some of the latest global palate trends.

The restaurant opened its doors at the start of this financial year, that is in April 2022. In LOA's first year of operation, the restaurant enjoyed solid performance and was well received by both locals and tourists alike.

In 2023, LOA was included in the 2023 Michelin Guide for the first time. This represents a remarkable achievement considering the restaurant has been in operation for less than a year. This represents the Group's second restaurant to be included in the Michelin guide, further highlighting the Group's ability to offer high-quality dining experiences.

The performance of LOA in FY23 further indicates a successful initial year of operations with the restaurant generating circa €2 million in revenue.

REVENUE (€000's)

€2,039

March 2023

Sonora

Sonora

Sonora bar and restaurant is located on the grounds of the Sirens Aquatic Club. It lies in a picturesque setting at St. Paul's Bay, walking distance from the popular tourist resorts of Buġibba and Qawra, Opening its doors in March 2022, it offers an internationally inspired in-season menu and fresh takes on staple dishes. Sonora offers a chill out dining experience, something different for local and foreign patrons. It has proved to be the perfect ambiance and aesthetic fit with the newly renovated Sirens Water Polo Club.

FY23 represents Sonora's first full year of operations where it managed to generate revenue of €0.40 million. This represents a successful year for Sonora which managed to strongly establish itself as a leading restaurant within the local market.

REVENUE (€000's)

€408

March 2023

Amami Food Bar

Amami Food Bar

The Amami Food Bar was introduced in July 2022 and is nestled in the newly developed Campus Hub which is frequented by thousands of students. The introduction of the Amami Food Bar showcases the Group's understanding of the local food and entertainment market. As the sister restaurant of Amami, it has been designed to integrate the lifestyle of students, while keeping their tight schedule in mind. The Amami Food Bar offers a unique experience, including an ambient working space along with a fast, on-the-go service, that students can make use of between classes.

AMAMI Food Bar started operations in Q2 of FY23 and therefore the results below do not represent a full 12-month period. In this regard, in its initial months of operation, AMAMI Food Bar generated €0.23 million in revenue.

REVENUE (€000's)

€232

March 2023


MADE TO CRAVE MORE
SALMON POKE BOWL
HAVE A BAGEL MORNING
GET THE PARTY STARTED

Veràni

Veràni

Following a highly competitive bidding process, the Group was the successful bidder to refurbish, design and operate a quick-service casual restaurant in the Schengen Departures Hall at the Malta International Airport (MIA).

The Group's new concept, Veràni is a fast-casual food outlet in the departure lounge of the Malta International Airport. Veràni caters specifically for travellers, offering an enticing array of popular cuisines ranging from traditional Maltese baked goods such as Froġa tat-tarja, Ross il-forn, Ftira Għawdxija and Timpana, to popular dishes from other cuisines including Japanese, Spanish and Mexican dishes. One distinctive feature offered by Veràni is an "*Inflight Picnic*", which includes a freshly prepared meal and drink for travellers to enjoy during their flight.

The Group successfully opened the new outlet in April 2023 and has already attracted thousands of visitors in the first few months of operation.

Tora

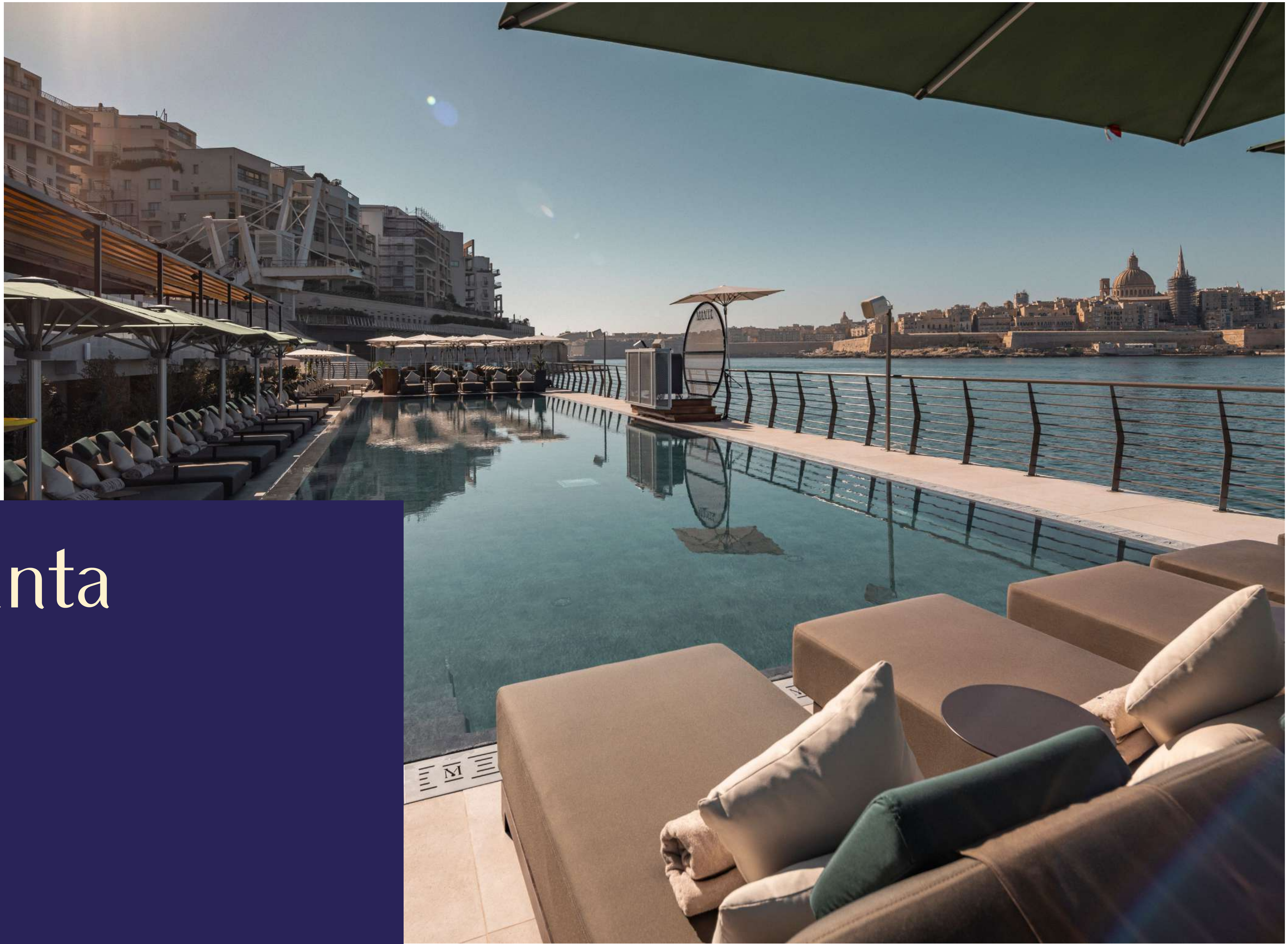
Tora

Located in an exciting new destination in Sliema, Tora marries oriental cuisine with inventive cocktails. Situated on the water's edge, Tora's prime location offers breath-taking views of Valletta and sets the stage for a romantic evening, a family gathering, or a night out with friends.

Tora pays homage to traditional Oriental cuisine while adding a contemporary flair. Tora's skilled chefs craft an array of dishes, ranging from delectable dumplings to flavourful stir-fries and its popular signature Peking Duck. Guests can complement their meal with one of Tora's signature cocktails, inspired from the Orient and skillfully crafted by Tora's very own mixologists.

The name, Tora, derives from the Japanese word for "tiger," which symbolises power, strength, and courage in the East. These qualities are embodied in Tora's food, drinks, and hospitality.

Tora was successfully opened in May 2023 and has already generated significant interest and excellent reviews. In just a few months of operation, Tora is already one of the best rated restaurants in Malta according to TripAdvisor ratings.



Manta

Manta

Situated within a stunning seaside setting, Manta is a gorgeous lido that takes its inspiration from the grace and elegance of the majestic manta ray. With its delightful Mediterranean fusion restaurant and sparkling pool, Manta offers an extraordinary dining experience that is unmatched in both beauty and quality.

Whether one seeks to unwind in the warm embrace of the Mediterranean sun or revel in vibrant nightlife, Manta is the perfect place to relax, let loose and enjoy the finest foods, cocktails and live entertainment. With an in-house DJ, percussionist and dancers, Manta is a true celebration of art, culture and life.

Manta was initially opened in June 2023 and has been well-received in the local market.

Espiral

Espiral

The goal of our Spanish restaurant is to create a truly immersive dining experience that awakens all of the senses. We aim to create a multi-sensory atmosphere that goes beyond just the taste of the food, but also includes sights, sounds, smells and texture.

From the moment our customers walk through the door, we want them to be transported to Spain. We will be using contemporary decor, music and scents to create an atmosphere that truly captures the spirit of the country. On the menu, we will be featuring a variety of traditional Spanish dishes that are not only delicious, but also visually stunning, with an emphasis on vibrant colours and contrasting textures.

Our restaurant will also feature a carefully curated wine list, featuring wines from Spain and around the world, to complement the menu and enhance the overall dining experience.

Our goal is to create a memorable and enjoyable experience for our customers through all their senses.

The highly anticipated restaurant is expected to open later in 2023.

Healthcare

Healthcare

BACKGROUND

The public sector is the main service provider of healthcare in Malta, supplying near 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. Over the past decade Malta has registered one of the largest per capita increases in health expenditure in the EU, despite being the smallest Member State. This increase has been relatively consistent year on year. Over the past two years the global pandemic and the subsequent pressures imposed on the Maltese healthcare system, public spending in this sector increased dramatically.

To consolidate stability, Malta's Partnership Agreement with the EU envisioned an overarching strategy rooted in three funding priorities, one of which is health and well-being improvement through the locally financed investment in the sector infrastructure[1]. As a result, the trend in year-on-year increase expenditure on healthcare is expected to be sustained.

Throughout the pandemic, the Maltese healthcare system demonstrated its robustness and agility in times of crisis, gaining international recognition for its achievements during the pandemic.

LONG-TERM CARE

Long-term care for the elderly in Malta is provided by the state, the Catholic Church and the private sector.

Projected expenditure on this type of care is predicted to increase by 1.9% of GDP, reaching 3.0% by 2070. This trend reflects the demands of an ageing society and an increased life-expectancy at birth, part of an overarching trend stretching over the last six decades[2].

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 of the best model to develop and run these institutions, the government has signed various contracts with the private sector. Although waiting lists for residential care have grown substantially longer, public-private partnerships served to shorten them to some degree[3]. During 2023, it was indicated that around 1,556 persons were on waiting lists for admission to elderly homes.

According to the European Commission's joint report on healthcare and long-term care systems, one of the challenges faced by the Maltese system is the shortage of licensed beds in retirement homes. A relief solution being pursued is the encouragement of more home care. Accordingly, Malta has introduced the Care at Home scheme through which the beneficiary receives a maximum amount of up to €7,000 a year to help support those citizens who employ a home carer of their choice.

[1] Update of Stability Programme 2022 - 2025
[2] The world bank- Life expectancy at birth, total (years) - Malta
[3] Long-Term Care of Older Adults in Malta: Influencing Factors and Their Social Impacts Amid The International Financial Crisis

NURSING AND ELDERLY HOME PRESSURES

The old-age dependency ratio is a measure of the age structure of the population. It computes the number of individuals dependent on the support of others in their day-to-day life, to those capable of providing support. Globally, an increase in old-age dependency ratios is projected to significantly contribute to a higher demand for public spending on health, long-term care and pensions. The global increase projected on long-term healthcare ranges between 3.5% to 6% of total GDP[4].

In Malta, the old-age dependency ratio increased considerably, from 19.9% in 2008 to 27.6% in 2019. Simultaneously, the share of the population aged 65 and over in the total population increased from 13.9% to 18.7%. The pressure on long term care provision, as measured by the share of potential dependents in the total population, is therefore set to increase from 3.2% in 2019 to 3.8% in 2030 and 4.6% in 2050 of total GDP.

Despite an average age of admittance to long-term care facilities in Malta being over 80 years as of 2019, there were only around 5,670 available beds in nursing and residential care facilities. In other words, demand is more than triple the supply.

In view of these trends, demand for long-term care is set to continue growing, adding further demand-pressures to a sector already facing supply issues. This could lead to a longer waiting period for those in imminent need. In this respect, the government is envisaged to require more public-private partnerships (PPPs) to meet current demands and shorten such waiting lists.

[4] 2021 Long-Term Care Report- Trends, challenges and opportunities in an ageing society

Healthmark Care Services Ltd

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 Luċija, as well as a historic building in Mtarfa, which was subsequently converted into a 150-bed residence for elderly dementia patients. The service offering in this area significantly increases when the Group takes 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 as well as 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 with bed capacity at 504 become fully operational at 95% capacity. Additionally, Healthmark assists the country with the handling of the pandemic through the provision of nurses and carers at key areas such as swabbing and vaccination centres.

2023

The incorporation of *Healthmark Training FZE* led to the successful establishment of a new training centre in Dubai, known as the Healthmark Training Centre. The training centre boasts an area of 250m² and has a training room, a hospital simulation room with medical equipment, offices, meeting rooms and a recreation area.

Healthmark is one of Malta's leading independent providers of health and social care services, with a focus on hospitals and the community more broadly. Today it has a pool of 455 professional nurses, 394 staff members providing domiciliary care to the elderly and over 2,633 trained care assistants. Over the years, the venture grew considerably and has substantially increased the number of staff. Between 2022 and 2023 alone it engaged over 600 new staff, making it the largest employer of healthcare professionals in Malta.

Healthmark operates in both nursing homes & long-term care facilities. It currently provides carers to over 12 homes for the elderly in both Malta and Gozo. It also provides 5 government homes for the elderly with nursing services as well as care, support, nursing, home help and clerical services to various government, corporate and private clients. For the past 18 years, the company has also been the service provider of care and support workers to Mater Dei Hospital, the country's main hospital. In the local community, Healthmark provides home care and support services to seniors and to persons who need help at home due to illness or disability. Such support ranges from morning and night-time assistance, personal care, medication support, laundry, cleaning, meal preparation 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. Malta Healthcare constructed four new blocks to accommodate an additional 504 residents at SVPR and provides nursing, caring, housekeeping, and catering services, amongst others, for the additional 504 beds under a 15-year agreement. In 2021, the blocks were fully completed ahead of schedule, despite challenges posed by the pandemic. They are now fully operational, registering a 97% occupancy as at 31 March 2023.

In 2023, in an effort to reinforce the quality of its services, Healthmark Training FZE was set up as a company based in Dubai Silicon Oasis, United Arab Emirates (UAE), leading to the opening of the Healthmark Training Centre. The training centre boasts an area of 250m², with a myriad of facilities such as a training room, a hospital simulation room with medical equipment, offices, meeting rooms, and a recreation area. The academy is certified by the Knowledge and Human Development Authority (KHDA), which is the educational quality assurance and regulatory authority of the Government of Dubai, in the UAE. Each group consists of 20 to 30 students with 2 trainers to teach clinical and non-clinical content, with weekly courses held.

Throughout FY23, building on the existing quality care and support provided to the Maltese community, Healthmark is advancing further towards providing an improved quality of service and expanding its reach all across Malta and abroad.

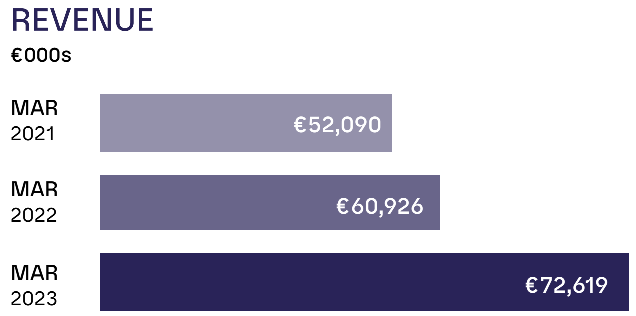
In 2023, the companies constituting the Group's healthcare division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited achieved the following results:

FY23 RESULTS & KPIS

Revenue for Healthmark for FY23 was €72.6 million, resulting in an increase of 19.2% when comparing FY23 to the revenue reported in FY22.

19.2%

CHANGE FY 2022/FY 2023



Contract Catering

Contract Catering

OVERVIEW OF THE CONTRACT CATERING MARKET

Over the last few years, contract catering in Malta has developed substantially, with the highest demands coming from the healthcare and catering sectors, as well as detention centres.

The demand for catering services in healthcare is requested by state and privately-owned hospitals, as well as care and retirement homes for the elderly. In line with Malta's growing and ageing population, demand from this sector has been steadily increasing over the last few years.

In the aviation industry, the demand for inflight catering services is decreasing as a result of pressures faced by airlines to reduce costs relating to ancillary services, inflight catering included. Over the last two years, a further reduction in demand for inflight meals was obviously driven by pandemic-driven travel restrictions. Nevertheless, demand for inflight catering is expected to pick up again, in line with the expected rebound in global tourism.

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.

2022 In September 2021, Air Malta issued a competitive tender for the provision of services for its inflight catering operations and db Group partnered with James Caterers Limited to submit a competitive proposal and was later selected as the preferred bidder.

2023 Together with its partner, the Group begins its new operations under the new branding of *Kore Inflight Services Limited* and *Kore Air Services Limited.*

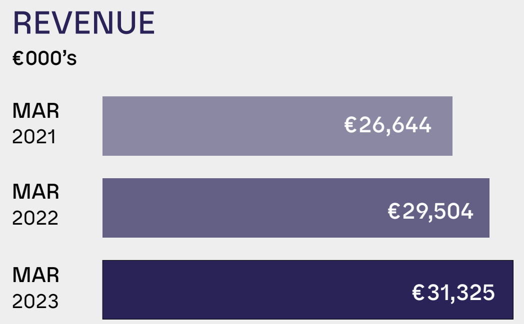
KEY CONTRACTS

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.

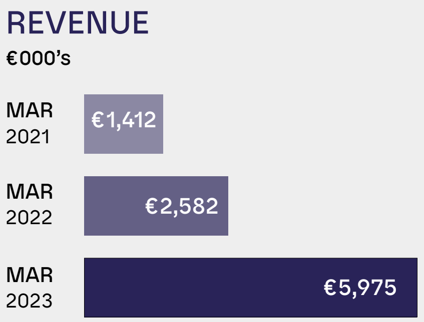
In 2017, under a 10-year catering agreement, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded the continued supply of meals for residents at Saint Vincent de Paul and entrusted with the setting up of an onsite, fully equipped catering centre.



6.2%

CHANGE FY 2022/FY 2023

Revenue for FY23 was €31.3 million compared with €29.5 million in FY22, which represents an increase of 6.2% within these periods.



131.4%

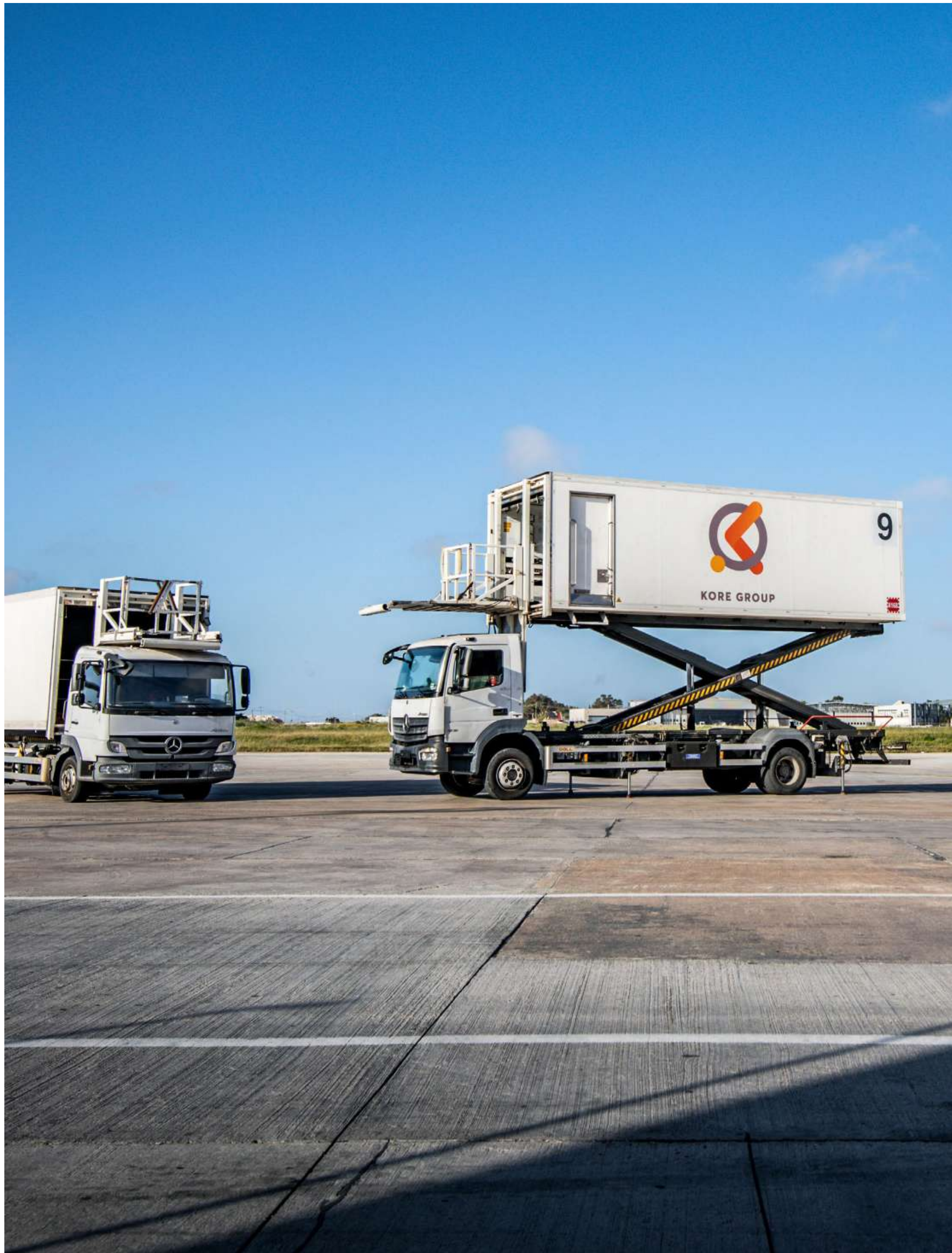
CHANGE FY 2022/FY 2023

Kore Air Services Limited

The Group together with its partners, has proudly serviced Air Malta, Malta's national airline, for over 17 years. Since then, the business has continued to develop and over the years the Company has successfully serviced international airlines such as Emirates, Turkish Airlines, Lufthansa German Airlines and Ryanair on a regular or ad hoc basis.

The company has served up to 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 of the pandemic has drastically affected the sector. It has since shown signs of recovery as flights are operating more frequently and as demand inches towards pre-pandemic levels.

In recent years, the Group's inflight catering business unit has experienced significant growth in the ad-hoc flight service segment, providing a number of catering options for chartered flights and private jets.



Property Development

Property Development

MALTA'S PROPERTY MARKET

Malta is the third most densely populated country in Europe and is visited by around 2.8 million tourists a year. These dynamics, together with the scarcity of land, make the local property market relatively unique. The sector has enjoyed a decade-long strong run, with significant year-on-year growth. This was the result of various underlying demand drivers, mainly the significant population growth due to an ever-growing expat community.

PROPERTY DEVELOPEMENT

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 a mixed-use development project in St George's Bay, Paceville with an investment of €250 million.

2020 Updated plans for the mixed-use development project 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.

2023 The Group gets the final go-ahead on the mixed-use development in St. George's Bay, St. Julian's, after the Court of Appeal rules in db Group's favour.

OVERVIEW OF PROJECTS CARRIED OUT

Initially, the Group entered the property development market as a strategic move - 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. With an investment of €40 million, it 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 flagship project is the proposed mixed-use development in St. Julian's, one of Malta's prime seaside hospitality and entertainment locations and right across St George's Bay, a blue flag urban beach.

The mixed-use development will feature the Mediterranean's third Hard Rock Hotel, residential units, a shopping mall, the largest spa in Malta, a number of world-famous bars, restaurants and retail brand outlets, and almost 7,000 square kilometers of public space.

The mission of the Hard Rock International brand 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 an indigenous architectural heritage. In the next five years, there are contracts signed to build another five Hard Rock Hotels around the world, ranging from Canada to Brazil to Malta. Europe currently has several Hard Rock Hotels, these include hotels in Amsterdam, London, Dublin, Davos, Ibiza, Tenerife, Madrid, Budapest, and Marbella.

> *"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

ESG

Environmental, Social, and Governance

In an era wherein corporate responsibility extends beyond mere financial performance, the db Group continues to champion the cause of Environmental, Social, and Governance (ESG) matters. As we navigate the complexities of a post-pandemic world, our commitment to ESG principles remains unwavering. We believe that our dedication to these principles is not only integral to our long-term sustainability but also a testament to our resilience and adaptability in the face of unprecedented challenges.

This year marked another milestone in our journey towards becoming a more sustainable and socially responsible organisation. We continued to embed the values of sustainability into our operations, driving positive change across our value chain and enhancing our impact on the communities we serve. Our ESG strategy, underpinned by our commitment to continuous improvement, has allowed us to make significant strides in various areas, from environmental conservation to employee well-being and diversity, as well as corporate social responsibility.

Our approach to environmental stewardship is holistic, encompassing a wide range of initiatives aimed at minimising our ecological footprint. With this vision, we made significant investments in energy and water efficiency, demonstrating our commitment to resource conservation. Our efforts in this area have not only resulted in substantial reductions in our water and energy consumption but have also set the stage for the adoption of more sustainable practices in the future.

In the realm of social responsibility, we have continued to place our employees, guests, and communities at the heart of our operations. We launched several initiatives aimed at promoting employee well-being and diversity, recognising the invaluable contributions of our large workforce, the epitome of diversity. Our corporate social responsibility activities have also expanded, reflecting our commitment to giving back to the communities we serve.

On the governance front, we have continued to uphold the highest standards of corporate governance, ensuring transparency, accountability, and fairness in all our dealings. We believe that strong governance is the bedrock of a sustainable business, and we remain committed to maintaining the trust and confidence of our stakeholders.

As we reflect on our achievements in 2023, we are mindful of the challenges that lie ahead. The global landscape is evolving rapidly, and we must adapt and innovate to stay ahead. However, we are confident that with our robust ESG strategy and our unwavering commitment to sustainability and social responsibility, we are well-positioned to navigate these challenges and continue to create value for our stakeholders.

In the following sections, we delve deeper into our ESG initiatives, providing a detailed account of our activities, achievements, and future plans in each area. We invite you to join us on this journey as we continue to strive for a more sustainable and inclusive future.

ENVIRONMENTAL MATTERS

In our ongoing commitment to environmental stewardship, db Group has taken significant strides in 2023 to further minimise the ecological impact of our operations. Our focus remains not only on reducing our direct footprint but also on fostering a culture of environmental consciousness among our clients and employees.

Water & Energy Consumption

While occupancy rates increased this year our total water and energy consumption, our efficiency in terms of consumption per bed night improved significantly, particularly at the Seabank Resort & Spa where water efficiency improved by 7.9% and energy efficiency improved by 28.0% in 2023 compared to 2022.

Seabank Resort & Spa:

Year	Water Consumption from third-party sources (m^3)	Bed Nights	Water Efficiency (m^3/bed night)	Energy Consumption (KVAH)	Energy Efficiency (KVAH/bed night)
FY2022	4,185,500	241,232	17.34	4,580,900	18.98
FY2023	6,461,000	404,150	15.98	5,527,800	13.67
YoY % change	+54.4%	+67.5%	-7.8%	+20.7%	-28.0%

San Antonio Resort & Spa:

Year	Water Consumption from third-party sources (m^3)	Bed Nights	Water Efficiency (m^3/bed night)	Energy Consumption (KVAH)	Energy Efficiency (KVAH/bed night)
FY2022	1,777	174,440	0.01	3,507,669	20.10
FY2023	9,405*	284,046	0.03	5,659,810	19.92
YoY % change	429.3%	62.8%	200.0%	61.4%	-0.9%

At San Antonio, while energy efficiency slightly improved by 0.9%, water efficiency decreased in 2023 compared to 2022.These figures demonstrate our commitment to improving our operational efficiency and reducing our environmental impact.

We have achieved these improvements through a combination of measures, including the installation of new energy-efficient systems and ongoing monitoring to ensure optimal performance.

**Most of the water used by the hotels comes from internal RO systems. However, in FY 2023, one of the San Antonio RO units had to be decommissioned and its replacement only began operating several months later, leading to a significant increase in water consumption from third-party sources in FY2023. A new more efficient system has since been installed.*

New Measures and Monitoring

In 2023, we introduced several new measures at both Seabank and San Antonio to increase efficiency and safeguard the environment. These included the installation of a new Building Management System (BMS) for energy efficiency and metering, and the replacement of old reverse osmosis units with new ones featuring the latest technology. We also replaced old Trane Chilled units with new heat pumps for AC units in hotel rooms and are currently conducting a feasibility study to replace LHO boilers with heat pumps.

Our monitoring practices have also been enhanced. We now have certifications from engineers warranted for testing and calibrating LHO boilers, laboratories for sewer water affluent from the hotel, chiller borehole water to the marine environment, and reverse osmosis reject water to the marine environment.

These initiatives reflect our commitment to continuous improvement and innovation in our environmental practices. We believe that by investing in state-of-the-art technology and adopting best practices we can make a significant contribution to environmental conservation. In the next section, we shall delve into our social initiatives, highlighting our efforts to promote employee well-being and diversity, and our commitment to corporate social responsibility.

Both hotels have been awarded the Malta Tourism Authority's Eco Certification, a national scheme for ensuring the environmental, socioeconomic, and cultural sustainability of hotels and farmhouses on the Maltese Islands - a certificate which has been recognised by the Global Sustainable Tourism Council.

SOCIAL MATTERS

At the db Group we believe that our social responsibility extends beyond our business operations to the communities we serve and the people we employ. In 2023, we continued to strengthen our commitment to social matters, focusing on Corporate Social Responsibility (CSR) and employee well-being and diversity.

Corporate Social Responsibility

Our CSR initiatives this year were diverse and impactful, reflecting our commitment to making a positive difference in our communities. In the summer we took part in a clean-up of Mellieħa Bay, demonstrating our dedication to preserving the natural beauty of our surroundings.

During the Christmas season, we visited sick children in the hospital, bringing them gifts and spreading a little festive cheer during a challenging time. In March, we marked Environment Day, reinforcing our commitment to environmental conservation.

In the summer of 2023, we made a donation to Fabio Spiteri for dog and cat shelters for, showing our support for animal welfare. These initiatives reflect our belief in the importance of giving back to our communities and using our resources to make a positive impact.

Every outlet under the Lifestyle Group contributes the proceeds from their in-house BCRS recycling initiative to Tomasina Cat Sanctuary. This funding is primarily used to purchase cat food and maintain supplies of cat-friendly cleaning agents.

db Group Charity Foundation

A cornerstone of our CSR efforts is the db Group Charity Foundation. Established by notarial deed on 6th November 2019, the Foundation's purpose is to provide financial, material, and professional support to assist, educate, support, and sustain materially and financially needy persons in society, particularly marginalised individuals within the community in Malta and abroad.

Since its inception, the Foundation has identified worthy causes championed by a wide spectrum of voluntary organisations working in the environmental, philanthropic, cultural, and educational sectors. The mission of the Foundation is to improve the quality of life of those who need support most, acting on its own initiative or in partnership with NGOs and voluntary bodies working with so much dedication in these fields.

The Foundation reflects the determination of the Founder and Chairman of the db Group, Silvio Debono, to give back to society a share of the Group's success and proactively fulfil its ESG obligations. The philosophy behind the Foundation is that the db Group does not merely relate to its shareholders but also to its stakeholders at large. Our stakeholders include all those persons and entities we can impact positively, including local councils, constituted bodies, voluntary organisations, local government, and NGOs.

The Foundation is run at arm's length from the db Group, ensuring independence and transparency. It plans to make calls for proposals for support in areas in which Foundation aims to make a difference. Apart from providing direct assistance, the Foundation seeks to partner with entities pursuing worthy causes falling within its remit. In parallel it aims to enhance its resources through cultural and social events whereby the funds raised will be channelled into philanthropic causes, as decided by its independent Board of Directors.

The Foundation's Board of Directors is made up of Dr Francis Zammit Dimech (Chairman), Alan Debono, Mariella Scerri, Alan Deidun and Dr Gianluca Bezzina.

Employee Well-being and Diversity

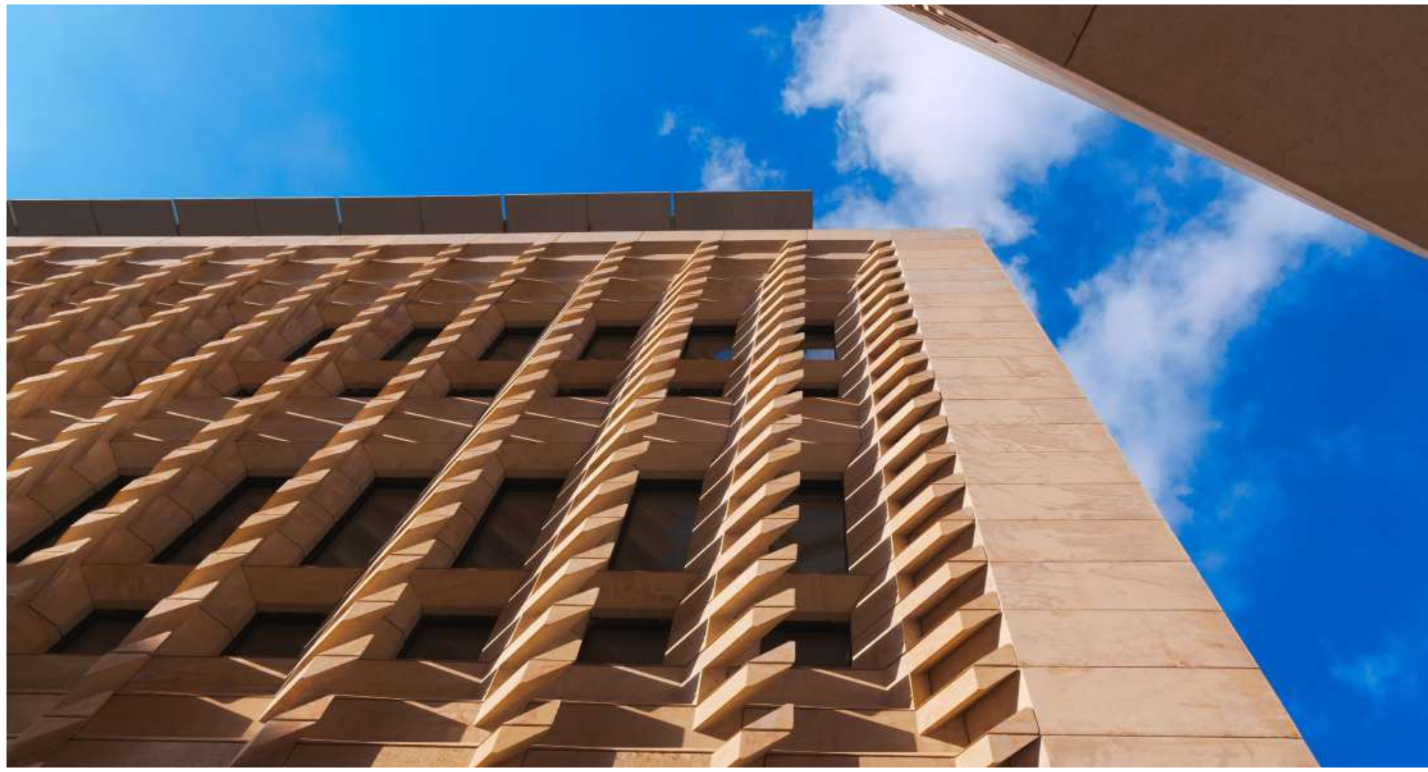
Our employees are our most valuable asset, and we are committed to promoting their well-being and celebrating their diversity. In 2023, we introduced several initiatives aimed at recognising and rewarding our employees.

We started a monthly birthday recognition programme, celebrating our employees' special days and showing our appreciation for their hard work and dedication. We also organised a pre-summer get-together for 2022 and 2023, fostering a sense of community and camaraderie among our staff.

In addition, we launched a video highlighting the diversity of our workforce and promoting a culture of inclusion and respect. We also continued our monthly employee recognition programme, acknowledging the outstanding contributions of our employees.

To ensure that we are meeting the needs of our employees, we conducted a Climate Employee Survey. This survey provided valuable insights into our employees' experiences and helped us identify areas for improvement.

In the next section, we will discuss our governance practices, highlighting our commitment to transparency, accountability, and ethical business practices.



GOVERNANCE MATTERS

At the db Group, we understand that strong governance is the bedrock of a sustainable business. We are committed to upholding the highest standards of corporate governance, ensuring transparency, accountability, and fairness in all our dealings.

Our governance framework is designed to protect the interests of our stakeholders, including our employees, guests, and shareholders. It provides clear guidelines on decision-making processes, risk management, and ethical conduct, ensuring that we operate in a manner that is consistent with our values and compliant with relevant laws and regulations.

In 2023, we continued to strengthen our governance practices, focusing on enhancing transparency and accountability. We believe that by doing so, we can maintain the trust and confidence of our stakeholders and ensure the long-term sustainability of our business.

Our Board of Directors plays a crucial role in our governance structure. They are responsible for overseeing our strategic direction, monitoring our performance, and ensuring that we meet our legal and ethical obligations. Our Board is composed of individuals with diverse backgrounds and expertise, ensuring a broad range of perspectives in decision-making processes.

We also have robust internal controls in place to manage risks and ensure the integrity of our financial reporting. These controls are regularly reviewed and updated to reflect changes in our business environment and regulatory landscape.

In addition, we are committed to maintaining open and transparent communication with our stakeholders. We regularly disclose information about our performance, strategies, and ESG initiatives, ensuring that our stakeholders have a clear understanding of our business and can make informed decisions.

Our commitment to strong governance underpins all our activities and is integral to our vision of becoming a more sustainable and socially responsible organisation. As we look ahead, we will continue to enhance our governance practices, ensuring that we remain accountable to our stakeholders and true to our values.

The Audit Committee

In April 2017, db Group issued a €65 million bond through SD Finance plc, the Group's 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 to financial reporting processes, financial policies and internal control structures. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board, 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 the Issuer in its responsibilities and dealings with issues of risk, control, 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 assesses 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. It is composed of Mr Stephen Muscat, Mr Philip Micallef and Dr Vincent Micallef. The Chairman of the Audit Committee, Mr Muscat who is appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the 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 Capital Markets Rules.

The Board of Directors of the issuer and the guarantor

SD Finance plc's Board of Directors is composed of two executive and four non-executive directors. Mr Silvio Debono (Chairman) and Mr Robert Debono occupy the executive posts. Mr Arthur Gauci, a non-executive director, is engaged as a Group consultant and holds the position of director of many companies within it. The three independent, non-executive directors are Mr Stephen Muscat, Mr Philip Micallef and Dr Vincent 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 seven directors, namely, Mr Silvio Debono, Ms Veronica Debono, Mr Robert Debono, Mr Jesmond Vella, Mr David Debono, Ms Victoria Debono, Mr Alan Debono, and Mr Arthur Gauci.

CONCLUSION

As we conclude our Environmental, Social, and Governance (ESG) report for 2023, we reflect on a year of significant progress and continued commitment to our ESG principles. Despite the challenges posed by an ever-evolving global landscape, the db Group has remained steadfast in its dedication to sustainability, social responsibility, and strong governance.

Our environmental initiatives have demonstrated our unwavering commitment to reducing our ecological footprint. Through significant investments in energy and water efficiency, we have made substantial strides in resource conservation. Our new measures and enhanced monitoring practices at both Seabank and San Antonio have set the stage for the adoption of more sustainable practices in the future.

In the realm of social responsibility, we have placed our employees, guests, and communities at the heart of our operations. Our suite CSR activities and initiatives promoting employee well-being and diversity have underscored our commitment to creating a positive impact on our communities and fostering a supportive and inclusive workplace.

Our governance practices have continued to uphold the highest standards of corporate governance, ensuring transparency, accountability, and fairness in all our dealings. Our robust governance framework and internal controls have ensured that we operate in a manner that is consistent with our values and compliant with relevant laws and regulations.

As we look ahead to 2024 and beyond, we are excited about the opportunities that lie ahead. We will continue to innovate and adapt, leveraging our strengths to navigate the challenges of the future. Our commitment to ESG principles will remain at the core of our strategy, guiding our actions as we strive to create sustainable value for our stakeholders.

We would like to express deeply felt gratitude to our employees, guests, and shareholders for their continued support and trust in db Group. Together, we look forward to building a more sustainable and inclusive future.

SD HOLDINGS Limited

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023

Directors' Report

1

The directors present their report and the audited financial statements for the year ended 31 March 2023.

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 three hotels: the db Seabank Resort & SPA situated at Ghadira Bay Mellieha, the db San Antonio Hotel & SPA situated in Bugibba and The Melior Boutique Hotel in Valletta. It also operates a number of restaurants in Mellieha Bay, namely Westreme, Amami and Blu Beach together with PickNGo as a general store. It also operates AKI Restaurant in Valletta, Nine Lives in Bugibba, LOA and Sonora in St. Paul's Bay and Amami Food Bar at University Campus. The Group also 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

Following a tumultuous period due to the global pandemic, during the year ended 31 March 2023, the group experienced continued growth in revenues and profitability. Total revenue for the group during the year under review reached €70.8 million resulting in a year-on-year increase of €30.4 million (75.4%). The increase in revenue reflected itself in earnings before interest, tax, depreciation and amortisation (EBITDA) factoring in at €24.8 million as against €20 million registered for 2022 (24%). The margin of profit or return on turnover generated is 35%, when compared to 50% during 2022. These results are excellent given the increase in salaries paid and overall higher price of goods and services. The Group has taken various measures to maximise its revenues and keep its costs in check.

Consequently, the financial year ending 2023 resulted in a profit after tax of €12.4 million when compared to €10.6 million recorded in the previous year. The overall hotel portfolio occupancy increased to 85% when compared to 54% in 2022. These results are even better than the 81% occupancy levels shown during year ending 31 March 2020 before the disruptions brought about by the pandemic.

Meanwhile the food and beverage sector also experienced better turnover figures, almost doubling the figures achieved during the previous year. Turnover for the year reached €25.4 million (€14.1 million in 2022) and now includes two new restaurants in St. Paul's Bay and six new Starbucks outlets across Malta which were opened between June and December 2022.

The group's total assets amount to €376 million (2022: €350 million). The group's equity base also increased by €10.1 million which is a direct result of the net profit registered for the year. As a result, the group's gearing ratio stands at 15.1% (2022: 23.1%).

The interest rate cover now stands at 5 multiple same as in the prior year mainly because of higher revenues of €30.4 million when compared to the 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 reference to the tourism and services industry.

Outlook for the financial year ending 2024

Following the much-improved results achieved during the year ended 31 March 2023 we look forward with optimism for the coming year. It is evidently clear that the accommodation and leisure industry is recovering faster than originally anticipated. Results to date are better than the previous year and bookings are very encouraging.

From the db Group's perspective, there has been a continued expansion of its Starbucks outlets network in Malta and has opened or continued its investments in new restaurants in St. Paul's Bay, Sliema and Malta International Airport during the current financial year. The Group is also looking into expanding internationally with the first step being the opening of a new restaurant in London. On the other hand, the Court of Appeal upheld the decision of the Environmental and Planning Review Tribunal approving the proposed City Centre multi-use development of the former ITS site in St. George's Bay, subsequent to year end.

The health care arm of the Group continues improving its results on a year-on-year basis. An upswing in demand for the services offered by the Group within this sector was experienced with the opening of the new 504-bed wing at the Saint Vincent de Paul Residence which is run and managed by one of the Group's associated companies.

The Group has also prepared projections for the coming 2 years, based on historical financial information and forecasts, but factoring in the improved results of the past year. The Ukraine-Russia conflict is not expected to affect the results of the group as its exposure of business from these two countries is negligible. However, whilst the group has no direct business linkages with these countries, we are monitoring the effect that this conflict might have. Continued increases in the price of goods and services is the principal challenge that the group's entities have experienced during the current financial year. The projections contemplate the existence of a significant liquidity buffer at the end of the year and the Directors feel confident that with the measures taken and the secured financing arrangements, the Group shall overcome any potential further disruptions. The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €54.4 million. On this basis, the directors are of the opinion that there are no material uncertainties which may cast significant doubt about the ability of the Group to continue operating as a going concern.

SD Finance plc (the Issuer of the bonds) paid its bondholders the full interest that was due in April 2023. Furthermore, it should be noted that in view of the excellent results achieved 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 2024 and going forward.

Financial risk management

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

Results and dividends

The consolidated financial results are set out on page 187. The directors have declared a net dividend €2,272,500 (2022: Nil).

Retained earnings carried forward at the end of the financial reporting period for the group and the company amounted to €61,290,275 (2022: €51,062,618) and €16,616,246 (2022: €16,612,106), respectively.

Directors

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

- Silvio Debono
- Robert Debono
- Alan Debono
- David Debono
- Victoria Debono
- Arthur Gauci
- Jesmond Vella
- Veronica Debono *(Appointed on 5 May 2023)*

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

Statement of directors' responsibilities for the financial statements

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

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

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

The financial statements of SD Holdings Limited for the year ended 31 March 2023 are included in the Annual Report and Consolidated Financial Statements 2023, 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

REGISTERED OFFICE
db Seabank Resort & Spa
Marfa Road, Mellieha Bay
Mellieha, Malta

28 July 2023

Robert Debono
Director

Alan Debono
Director

Independent Auditor's Report

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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 2023, 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 10 to 73, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2023;
- 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.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Emphasis of matter

We draw attention to Note 5 to these financial statements that explains matters relating to the Group's investment property which are considered to be of fundamental importance to the understanding of these financial statements due to their 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 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the db Group Annual report which is expected to be made available to us after that date.

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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the db Group Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors in accordance with International Standards on Auditing.

Responsibilities of the directors for the financial statements

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

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2023* 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 2023* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 4) 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

Area of the *Annual Report and Financial Statements 2023* 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

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.

Stefan Bonello
Principal

For and on behalf of
PricewaterhouseCoopers
78 Mill Street
Zone 5, Business District
Qormi CBD 5090
Malta

28 July 2023

Statement of Financial Position

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STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

	Notes	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**184,343,712**	183,852,700	**-**	-
Investment property	5	**82,628,497**	80,659,832	**-**	-
Intangible assets	6	**929,363**	907,598	**-**	-
Investments in subsidiaries	7	**-**	-	**36,511,336**	36,512,741
Investments in associates	8	**19,046,570**	15,889,539	**5,460**	5,460
Right-of-use assets	9	**15,366,006**	9,900,732	**-**	-
Deferred tax assets	10	**1,952,058**	4,580,712	**-**	-
Trade and other receivables	11	**335,337**	335,337	**22,618,093**	24,453,236
Total non-current assets		**304,601,543**	296,126,450	**59,134,889**	60,971,437
Current assets					
Inventories	12	**2,017,878**	1,471,758	**-**	-
Trade and other receivables	11	**13,546,228**	12,168,853	**6,516,761**	4,733,066
Current tax asset		**1,508,837**	-	**-**	-
Cash and cash equivalents	13	**54,419,433**	40,188,342	**47,181,616**	35,440,917
Total current assets		**71,492,376**	53,828,953	**53,698,377**	40,173,983
Total assets		**376,093,919**	349,955,403	**112,833,266**	101,145,420

STATEMENT OF FINANCIAL POSITION *(continued)*

AS AT 31 MARCH

		GROUP		COMPANY	
		2023	2022	**2023**	2022
	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	**73,977,606**	74,103,285	**-**	-
Other reserves	16	**12,901,698**	12,901,698	**-**	-
Retained earnings		**61,290,275**	51,062,618	**16,616,246**	16,612,106
Total equity		**152,169,579**	142,067,601	**20,616,246**	20,612,106
Non-current liabilities					
Trade and other payables	17	**57,777,341**	59,468,437	**-**	-
Borrowings	18	**76,699,158**	78,121,266	**7,106,194**	8,941,337
Deferred tax liabilities	10	**19,405,384**	18,619,149	**-**	-
Lease liabilities	20	**15,343,108**	9,749,691	**-**	-
Total non-current liabilities		**169,224,991**	165,958,543	**7,106,194**	8,941,337
Current liabilities					
Trade and other payables	17	**48,006,241**	36,030,837	**82,988,618**	69,494,745
Borrowings	18	**4,716,720**	4,768,684	**2,116,867**	2,092,327
Lease liabilities	20	**790,555**	674,761	**-**	-
Current tax liabilities		**1,185,833**	454,977	**5,341**	4,905
Total current liabilities		**54,699,349**	41,929,259	**85,110,826**	71,591,977
Total liabilities		**223,924,340**	207,887,802	**92,217,020**	80,533,314
Total equity and liabilities		**376,093,919**	349,955,403	**112,833,266**	101,145,420

The notes on pages 194 to 261 are an integral part of these financial statements.

The financial statements on pages 182 to 261 were authorised for issue and signed by the board of directors on 28 July 2023 and were signed on its behalf by:

Robert Debono
Director

Alan Debono
Director

Income Statements

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INCOME STATEMENTS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
		2023	2022	**2023**	2022
	Notes	€	€	€	€
Revenue	21	**70,799,174**	40,359,846	**-**	-
Cost of sales	22	**(50,493,419)**	(28,989,145)	**-**	-
Gross profit		**20,305,755**	11,370,701	**-**	-
Selling expenses	22	**(158,089)**	(87,832)	**-**	-
Administrative expenses	22	**(5,282,705)**	(4,124,074)	**(88,176)**	(25,984)
Investment income	24	**-**	-	**3,496,154**	-
Other operating income	25	**541,097**	3,802,687	**-**	-
Movement in credit loss allowances	22	**(209,233)**	-	**-**	-
Operating profit/(loss)		**15,196,825**	10,961,482	**3,407,978**	(25,984)
Finance income	26	**112,405**	53,979	**548,062**	124,372
Finance costs	26	**(5,400,482)**	(4,395,916)	**(455,149)**	(80,036)
Share of results of associates	8	**5,651,036**	4,468,386	**-**	-
Profit before tax		**15,559,784**	11,087,931	**3,500,891**	18,352
Tax expense	27	**(3,185,306)**	(524,099)	**(1,224,251)**	(8,555)
Profit for the year		**12,374,478**	10,563,832	**2,276,640**	9,797

The notes on pages 194-261 are an integral part of these financial statements.

Statements of changes in Equity

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STATEMENTS OF CHANGES IN EQUITY

Group		Attributable to owners of the parent				
	Note	Share Capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 April 2021		4,000,000	74,228,964	12,930,164	40,344,641	131,503,769
Comprehensive income						
Profit for the year		-	-	-	10,563,832	10,563,832
Other comprehensive income						
Depreciation transfer through asset use, net deferred tax		-	(125,679)	-	125,679	-
Other movements		-	-	(28,466)	28,466	-
Total other comprehensive income		-	(125,679)	(28,466)	154,145	-
Total comprehensive income		-	(125,679)	(28,466)	10,717,977	10,563,832
Balance at 31 March 2022		**4,000,000**	74,103,285	**12,901,698**	51,062,618	142,067,601

STATEMENTS OF CHANGES IN EQUITY *(continued)*

Group — **Attributable to owners of the parent**

	Share Capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 April 2022	4,000,000	74,103,285	12,901,698	51,062,618	142,067,601
Comprehensive income					
Profit for the year	-	-	-	12,374,478	12,374,478
Other comprehensive income					
Depreciation transfer through asset use, net deferred tax	-	(125,679)	-	125,679	-
Total comprehensive income	-	(125,679)	-	12,500,157	12,374,478
Transactions with owners					
Dividends paid to shareholders	-	-	-	(2,272,500)	(2,272,500)
Total Transactions with owners	-	-	-	(2,272,500)	(2,272,500)
Balance at 31 March 2023	**4,000,000**	**73,977,606**	**12,901,698**	**61,290,275**	**152,169,579**

STATEMENTS OF CHANGES IN EQUITY *(continued)*

Company

	Note	Share Capital €	Retained earnings €	Total €
Balance at 1 April 2021		4,000,000	16,602,309	20,602,309
Comprehensive income				
Profit for the year – total comprehensive income		-	9,797	9,797
Balance at 31 March 2022		**4,000,000**	**16,612,106**	**20,612,106**
Comprehensive income				
Profit for the year – total comprehensive income		-	2,276,640	2,276,640
Transactions with owners				
Dividends paid to shareholders	29	-	(2,272,500)	(2,272,500)
Balance at 31 March 2023		**4,000,000**	**16,616,246**	**20,616,246**

The notes on pages 194 to 261 are an integral part of these financial statements.

Statements of cash flows

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STATEMENT OF CASH FLOWS

		YEAR ENDED 31 MARCH			
		GROUP		COMPANY	
		2023	2022	**2023**	2022
	Notes				
Cash flows from operating activities					
Cash generated from operations	30	**27,243,882**	14,776,712	**12,871,601**	8,894,257
Net interest (paid)/received		**(4,612,981)**	(3,968,797)	**92,913**	44,336
Tax paid		**(548,398)**	(47,146)	**(1,223,815)**	-
Net cash generated from operating activities		**22,082,503**	10,760,769	**11,740,699**	8,938,593
Cash flows from investing activities					
Payments for property, plant and equipment		**(6,362,023)**	(2,609,357)	-	-
Proceeds from disposal of property, plant and equipment		**6,000**	-	-	-
Payments for investment property and related property development expenditure		**(3,691,596)**	(2,430,318)	-	-
Payments for intangible assets	6	**(143,095)**	(88,031)		-
Net movements of advances to subsidiaries		-	-	**1,810,603**	454,436
Consideration paid for investments in subsidiaries and associates	8	**(226,594)**	-	-	-
Dividend received from associates	8	**2,720,599**	135,000		
Net cash (used in)/generated from investing activities		**(7,696,709)**	(4,992,706)	**1,810,603**	454,436
Cash flows from financing activities					
Proceeds from bank borrowings		**2,136,841**	2,015,256	-	-
Repayments of bank borrowings		**(3,568,713)**	(2,154,126)	**(1,810,603)**	(454,436)
Advances from associates		**2,938,054**	2,993,253	-	-
Principal elements of lease payments	20	**(1,618,685)**	(738,168)	-	-
Net cash (used in)/generated from financial activities		**(112,503)**	2,116,215	**(1,810,603)**	(454,436)
Net movements in cash and cash equivalents		**14,273,291**	7,884,278	**11,740,699**	8,938,593
Cash and cash equivalents at beginning of year		**39,466,359**	31,582,081	**35,440,917**	26,502,324
Cash and cash equivalents at beginning of year	13	**53,739,650**	39,466,359	**47,181,616**	35,440,917

The notes on pages 194 to 261 are an integral part of these financial statements.

Notes to the financial statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

These 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).

As at 31 March 2023 the company's current liabilities exceeded its current assets by €31,412,449 (2022: €31,417,994). In this respect, subsidiary companies have undertaken not to request repayment of amounts due until alternative financing is available.

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 going forward. Accordingly, the board continues to adopt the going concern basis in preparing the financial statements and considers that there are no material uncertainties which may cast significant doubt about the ability of the company and the Group to continue operating as a going concern.

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 2022. 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.

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 2022. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.2 Consolidation (Continued)
(a) Subsidiaries (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

(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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.2 Consolidation (Continued)
(b) Associates (Continued)

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

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

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

1.3 Foreign currency translation

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

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

1.4 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 Consolidation (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.

1.5 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.

1.6 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.6 Intangible assets (Continued)
(a) Goodwill (Continued)

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

1.8 Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.8 Financial Assets (Continued)
Classification (Continued)

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.

(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.

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.

1.13 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.13 Financial Liabilities (Continued)

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.

Transaction costs are incremental costs that are directly attributable to the issue of the financial liability and are those costs that would not have been incurred if the Group had not issued the financial instrument.

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.

1.17 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 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.18 Current and deffered tax (Continued)

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.

1.19 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
1.20 Company recognition (Continued)
(a) Sale of goods and services (Continued)

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 recognised 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.

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 recognised when the group has delivered products to the customer and there no unfulfilled obligations that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products. Retail sales are usually in cash or by credit card.

Financing

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

(b) Interest income

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

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

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

1.21 Customer contract assets and liabilities

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

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

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

1.22 Leases

(a) 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 Group.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.22 Leases (Continued)

(a) Leases – where group undertakings are the lessee (Continued)

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, comprise of 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.

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). 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 the loan from subsidiary (Note 18) and amounts owed by subsidiaries subject to variable rates. The group and the company'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 in respect of these instruments.

At the reporting date, if the interest rate had increased/decreased by 3% (assuming a parallel shift of 300 basis points in yields) with all other variables held constant, the pre-tax result for the subsequent year would change by the following amount:

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2.1 Financial risk factors (Continued)

GROUP	(+) 3%	(-) 3%
	€	€
At 31 March 2023	**1,032,500**	**(937,300)**

COMPANY	(+) 3%	(-) 3%
	€	€
At 31 March 2023	**512,800**	**(450,800)**

(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	
	2023	2022	**2023**	2022
	€	€	**€**	€
Financial assets measured at amortised cost:				
Trade and other receivables (Note 11)	**8,833,014**	8,114,182	**29,089,410**	29,120,837
Cash and cash equivalents (Note 13)	**54,419,433**	40,188,342	**47,181,616**	35,440,917
Gross profit	**63,252,447**	48,302,524	**76,271,026**	64,561,754

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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.1 Financial risk factors (Continued)

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 and accrued income.

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.

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.

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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.1 Financial risk factors (Continued)

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

On that basis, the loss allowance for the group as at 31 March 2023 and 2022 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-Mar-23						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	1,884,449	1,339,422	772,469	97,811	1,402,398	5,496,549
Loss allowance (€)	**46,388**	**40,173**	**40,955**	**6,423**	**484,015**	**617,954**
31-Mar-22						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	1,072,325	677,220	532,637	70,441	917,724	3,270,347
Loss allowance (€)	**27,013**	**23,066**	**25,342**	**5,676**	**327,624**	**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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.1 Financial risk factors (Continued)

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 2023 and 2022, the group's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the group's trade receivables figures.

Amounts owed by related parties and other receivables

The group's and the company's receivables also include amounts owed by related parties forming part of the db Group, associates and other related parties (refer to Note 11). The group's treasury monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

With respect to the group's and the company's current amounts owed by related parties and other receivables, since such balances are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. In this respect, the directors considered such balances to have low credit risk and a low risk of default. Accordingly, the expected credit loss allowance attributable to amounts owed by related parties and other receivables was deemed immaterial as at 31 March 2023 and 2022.

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

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.1 Financial risk factors (Continued)

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.

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 2023					
Bonds	**2,827,500**	**2,827,500**	**8,482,500**	**67,827,500**	**81,965,000**
Bank borrowings	**5,640,787**	**6,778,499**	**6,268,751**	**-**	**18,688,037**
Amounts due to Government in relation to purchase of land	**8,973,241**	**1,562,509**	**4,734,402**	**159,396,300**	**174,666,452**
Lease liabilities	**1,582,499**	**1,667,739**	**4,759,869**	**16,612,394**	**24,622,501**
Trade and other payables	**30,452,536**	**-**	**-**	**-**	**30,452,536**
Payments with respect to capital expenditure	**446,653**	**205,334**	**-**	**-**	**651,987**

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.1 Financial risk factors (Continued)

At 31 March 2022					
Bonds	2,827,500	2,827,500	8,482,500	67,827,500	81,965,000
Bank borrowings	4,776,438	4,871,004	9,424,992	-	19,072,434
Amounts due to Government in relation to purchase of land	5,982,160	2,991,080	4,710,966	160,964,400	174,648,606
Lease liabilities	1,083,001	982,596	3,007,397	10,219,729	15,292,723
Trade and other payables	21,805,552	-	-	-	21,805,552
Payments with respect to capital expenditure	487,444	690,546	-	-	1,177,990

COMPANY

At 31 March 2023					
Bank loans	**2,580,000**	**2,580,000**	**3,519,398**	**-**	**8,679,398**
Loan from subsidiary	**67,709**	**67,709**	**1,623,518**	**-**	**1,758,936**
Trade and other payables	**82,988,618**	**-**	**-**	**-**	**82,988,618**
At 31 March 2022					
Bank loans	2,310,000	2,580,000	5,164,820	-	10,054,820
Loan from subsidiary	67,709	67,709	203,126	1,555,810	1,894,354
Trade and other payables	69,489,768	-	-	-	69,489,768

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	
	2023	2022
	€	€
Total external borrowings	**81,415,878**	82,889,950
Less: cash at bank and in hand	**(54,419,433)**	(40,188,342)
Net debt	**26,996,445**	42,701,608
Equity – as shown in the consolidated statement of financial position	**152,169,579**	142,067,601
Total capital	**179,166,024**	184,769,209
Net debt/total capital	**15.1%**	23.1%

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

2.3 Fair values of financial instruments

Financial instruments not carried at fair value

At 31 March 2023 and 2022 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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)
2.3 Fair values of financial instruments (Continued)

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 2023, 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, with the exception of matters disclosed in Note 5, 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

	Land & buildings	Assets in course of construction and payments on account	Computer equipment	Furniture, fixtures &fittings	Plant, machinery & operational equipment	Motor vehicles	Total
	€	€	€	€	€	€	€
At 1 April 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
Year ended 31 March 2022							
Opening net book amount	154,685,206	589,291	317,820	23,927,260	7,640,814	49,446	187,209,837
Additions	1,421,573	1,652,452	165,956	1,215,238	430,645	-	4,885,864
Commissioned assets	24,759	(202,502)	-	177,743	-	-	-
Disposals	-	-	-	(109,559)	-	-	(109,559)
Depreciation charge	(852,982)	-	(157,876)	(5,460,896)	(1,630,378)	(31,310)	(8,133,442)
Closing net book amount	155,278,556	2,039,241	325,900	19,749,786	6,441,081	18,136	183,852,700

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 March 2022							
Cost or valuation	158,677,679	2,039,241	1,548,040	58,955,756	18,118,992	687,954	240,027,662
Accumulated depreciation	(3,399,123)	-	(1,222,140)	(39,205,970)	(11,677,911)	(669,818)	(56,174,962)
Net book amount	**155,278,556**	**2,039,241**	**325,900**	**19,749,786**	**6,441,081**	**18,136**	**183,852,700**
Year ended 31 March 2023							
Opening net book amount	155,278,556	2,039,241	325,900	19,749,786	6,441,081	18,136	183,852,700
Additions	456,685	4,887,135	119,154	1,953,770	1,222,433	89,903	8,729,080
Commissioned assets	709,894	(3,472,724)	174,858	1,753,884	834,088	-	-
Disposals	-	-	-	-	-	(27,788)	(27,788)
Depreciation released on disposals	-	-	-	-	-	23,487	23,487
Depreciation charge	(879,864)	-	(192,508)	(5,687,620)	(1,447,929)	(25,846)	(8,233,767)
Closing net book amount	**155,565,271**	**3,453,652**	**427,404**	**17,769,820**	**7,049,673**	**77,892**	**184,343,712**
At 31 March 2023							
Cost or valuation	159,844,258	3,453,652	1,842,052	62,663,410	20,175,513	750,069	248,728,954
Accumulated depreciation	(4,278,987)	-	(1,414,648)	(44,893,590)	(13,125,840)	(672,177)	(64,385,242)
Net book amount	**155,565,271**	**3,453,652**	**427,404**	**17,769,820**	**7,049,673**	**77,892**	**184,343,712**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in land and buildings as at 31 March 2023 and 31 March 2022 is an amount of €46,000,000 relating to the carrying amount of the land's temporary emphyteusis as summarised in the below table:

	€
Cost as at 8 July 2011	3,411,000
Revaluations	42,589,000
Carrying amount as at 31 March 2023 and 31 March 2022	**46,000,000**

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 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 took into consideration a lower business activity in the forthcoming years, until reaching the 2019 level of business and assumed normality by 2024. These assumptions had resulted in a revised valuation surplus that was €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 2022 and 2023, 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 2023 valuation reassessment was based on updated projected income streams taking into consideration the experiences of 2021 and 2022, together with a gradual increase in the business activity in the next few years, until reaching a normalised level of business by 2026.

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. However, at the date that these financial statements have been authorised for issue, the group hotels have gradually picked up sustainable business activity. The projections have been updated in view of developments and for the financial year ending 31 March 2024 an EBITDA in the range of 82% and 89% of a stable year level was assumed and thereafter, the business activity was extended gradually until reaching the stable year level by 2026. The

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

assumptions for the 2023 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 2023 is not materially different from the respective fair value.

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

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment of the Group's projected income streams.

Valuation techniques

The external valuation of the Level 3 property as at 31 March 2019 has been performed using the discounted cash flow approach. Similarly, the assessments performed by the directors as at 31 March 2023 and 2022 were also performed using the discounted cash flow 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:

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, relating to fair valuation made in preceding years, using significant unobservable inputs (Level 3):

Description by class based on highest and best use	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	DCF approach	EBITDA (aggregate for both hotels)	€20,943,000 in 2023 increasing gradually until €23,609,000 in 2025
		Growth rate	2% after 2023
		Discount rate	8.1% (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 2023 and 2022, 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:

	2023	2022
	€	€
Cost	74,086,347	72,919,768
Accumulated depreciation	(6,621,134)	(5,934,621)
Net book amount	67,465,213	66,985,147

5. INVESTMENT PROPERTY

	GROUP	
	2023	2022
	€	€
Year ended 31 March		
Opening cost and carrying amount	80,659,832	78,049,862
Additions resulting from subsequent expenditure	1,968,665	2,609,970
Closing cost and carrying amount	82,628,497	80,659,832

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 24,000 sqm. 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. During the preceding financial year, the company has submitted an application for a revised downscaled development plan for the City Centre project with the Planning Authority, which was eventually approved. However, such approval was subject to an appeal process, which appeal was in fact lodged by third parties during the preceding financial year.

After year end, the mentioned appeal has been decided in favour of db San Gorg Property Limited, as disclosed in Note 34.

The contract of acquisition of the emphyteutical grant and related acquisition costs are payable over an extended period of time (refer to Note 17) and was therefore discounted to its present value of €60.1 million at the date of purchase.

The concession agreement described above makes reference to the variability in the ground rent payable on the basis of the net floor area and gross floor area of respective parts of the development. As a result of the latest development plans and the related significant reductions in the development areas, the said subsidiary is in discussions with the relevant government authorities to revise the ground rent payments in respect of the aforementioned clause. Accordingly, considering that these discussions are at an early stage, and the eventual conclusions on the ground rents payable going forward are unknown, the directors are of the opinion that the best estimate available at the end of the financial period is to base the measurement of the related financial liability on the amounts specified in the concession agreement that is presently in force and referred to above. Inevitably, should the final outcomes be significantly different from the present amounts the arising values of the respective assets and liabilities would be different from their carrying amounts.

As at 31 March 2023 and 2022, following an assessment by the directors on the basis of the amounts presently in force, the fair value of the property is deemed to fairly approximate its carrying amount.

5. INVESTMENT PROPERTY (CONTINUED)

Furthermore, the directors considered it appropriate to recognise the respective assets and liabilities arising from the concession agreement referred to above, on the basis that they believe that the City Centre project will materialise in a way that it is not significantly different from the submitted development plans and the formal commitment that the company has from its parent undertaking that it will provide the necessary financial support with respect to the project and to enable the subsidiary to meet its obligations as and when they fall due.

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land. The additions for 2023, disclosed in the table above, also include capitalised borrowing costs of €1,717,163 (2022: €1,759,647) representing the imputed interest component on the amounts due to the Government (refer to Note 17), and other capitalised interest costs of €240,019 (2022: €247,513).

6. INTANGIBLE ASSETS

	GROUP	
	2023	2022
	€	€
Franchise license rights		
Year ended 31 March		
Opening net book amount	**907,598**	890,439
Additions	**143,095**	88,031
Amortisation charge	**(121,330)**	(70,872)
Closing net book amount	**929,363**	907,598
At 31 March		
Cost	**4,155,238**	4,012,143
Accumulated amortisation	**(3,225,875)**	(3,104,545)
Net book amount	**929,363**	907,598

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	
	2023	2022
	€	€
Year ended 31 March		
Opening net book amount	**36,512,741**	36,512,741
Write-off	**(1,405)**	-
Closing net book amount	**36,511,336**	36,512,741
At 31 March		
Cost	**36,511,336**	36,512,741

The write off relates to the investment in db Catering and Events Limited and Silverstars Boat Chartering Limited which were struck-off during the current financial year.

7. INVESTMENT 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	Percentage of shares held 2023	2022
DB Catering & Events Ltd (struck-off on 10 September 2022)	San Antonio Hotel and Spa Triq it-Turisti, St. Paul's Bay, Malta	Ordinary shares	-	100%
DB San Gorg Property Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, 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, Ghadira Bay, Mellieha, 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, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Registered office	Class of shares held	Percentage of shares held 2023	2022
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares Preference shares	100% 100%	100% 100%
Silverstars Boat Chartering Limited (struck-off on 3 June 2022)	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	-	100%
Debar Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
DB Group Franchising Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
DB Lifestyle Group Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	100%
DB Lifestyle operation Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	100%
DB lifestyle Real Estate Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	100%
SDH Capital Limited	29 Farm Street London, England W1J 5RL	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 db Lifestyle Group 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 Ltd, whilst the shareholdings in Evergreen Travel Ltd and SA Marketing Company Ltd are held through Hotel San Antonio Limited. Similarly, the shareholding in db Lifestyle Operations Limited, db Lifestyle Real Estate Limited, SDH Capital Limited are held through DB Lifestyle Group Limited.

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

DB Lifestyle Group was set up during the prior year with its primary objective being that of offering hospitality and catering services within the United Kingdom. The impacts of the related additional investments in the newly incorporated entities were not material in the context of group's and the Company's financial position.

8. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Year ended 31 March				
Opening carrying amount	**15,889,539**	11,556,153	**5,460**	5,460
Additions	**226,594**	-	**-**	-
Share of results	**5,651,036**	4,468,386	**-**	-
Dividend received	**(2,720,599)**	(135,000)	**-**	-
Closing carrying amount	**19,046,570**	15,889,539	**5,460**	5,460
At 31 March				
Cost	**1,906,917**	1,680,323	**5,460**	5,460
Share of results and reserves	**17,139,653**	14,209,216	**-**	-
Closing carrying amount	**19,046,570**	15,889,539	**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:

8. INVESTMENT IN ASSOCIATES (CONTINUED)

	Registered office	Class of shares held	Percentage of shares held	
			2023	2022
DP Road Construction Limited	Sea Bank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary A and C shares	**45%**	45%
Malta Healthcare Caterers Limited	JPR Buildings Level 1, Taz-Zwejt Road, San Gwann, 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 Residence Ridott Street, Xemxija Hill, St.Paul's Bay, Malta	Ordinary shares	**33.3%**	33.3%
Kore Inflight Services Limited (formerly Sky Gourmet Malta Inflight Services Limited)	Old Terminal Building, St. Thomas Road, Luqa, Malta	Ordinary shares	**40%**	30%
Kore Air Services Limited (formerly Sky Gourmet Malta Limited)	Old Terminal Building, St. Thomas Road, Luqa, Malta	Ordinary shares	**40%**	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'

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Additions during the current year relate to an additional 10% investment bought in Kore Air Services Limited and Kore Inflight Services Limited.

The principal and significant associates of the group are Malta Healthcare Caterers Limited and Kore Air Services Limited (formerly Sky Gourmet Malta Limited). The main activity 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 Kore Air Services Limited's principal activity is the provision of catering and commissary services to airlines operating from Malta. These investments provide strategic partnerships for the group within business sectors which are targeted by the group for diversification or consolidation purposes. The principal places of business for both associates are based in Malta.

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

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		Kore Air Services Limited	
	As at 31 March		As at 31 March	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current assets	**29,509,047**	31,787,614	**54,685**	10,962
Current assets	**60,992,160**	55,190,153	**2,645,843**	2,479,639
Non-current liabilities	**(24,082,401)**	(29,485,280)	**-**	-
Current liabilities	**(35,264,989)**	(31,956,741)	**(1,682,755)**	(1,330,059)
Net assets	**31,153,817**	25,535,746	**1,017,773**	1,160,542

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

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised statements of comprehensive income

	Malta Healthcare Caterers Limited		Kore Air Services Limited	
	Year ended 31 March		Year ended 31 March	
	2023	2022	**2023**	2022
	€	€	**€**	€
Revenue	**103,943,861**	90,430,248	**5,974,712**	2,582,583
Profit for the year - total comprehensive income	**10,159,344**	8,727,011	**691,820**	376,276
Dividend received from associate	**2,272,500**	-	**333,836**	135,000

The other associates of the group are not deemed material, individually and in aggregate, to the group as a reporting entity taking cognisance of the group's financial position and aggregate assets. Accordingly, the disclosure requirements emanating from IFRS 12 were not deemed necessary for the user's understanding of the financial results and the financial position of the group.

The group's share of the results of the other associates and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit
2023	€	€	€	€
Porto Azzurro Limited	2,776,690	(434,410)	419,839	291,081
Kore Inflight Services Limited	132,003	(2,529)	436,370	4,867
2022				
Porto Azzurro Limited	770,093	(452,154)	148,968	11,546
Kore Inflight Services Limited	137,468	(3,315)	152,600	1,532

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

9. RIGHT-OF-USE ASSETS

The 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:

	Properties	Motor vehicles	Total
	€	€	€
As at 1 April 2021	6,073,163	134,751	6,207,914
Additions	4,517,429	-	4,517,429
Impact of derecognition of leased assets	-	(28,491)	(28,491)
Amortisation charge	(766,039)	(30,081)	(796,120)
As at 31 March 2022	**9,824,553**	**76,179**	**9,900,732**
As at 1 April 2022	9,824,553	76,179	9,900,732
Additions	6,615,517	61,611	6,677,128
Impact of derecognition of leased assets	(11,771)	-	(11,771)
Amortisation charge	(1,168,581)	(31,502)	(1,200,083)
As at 31 March 2023	**15,259,718**	**106,288**	**15,366,006**

9. RIGHT-OF-USE ASSETS (CONTINUED)

The income statement reflects the following amounts relating to leases:

	2023	2022
	€	€
Amortisation charge of right-of-use assets	1,200,083	796,120
Interest expense (included in finance costs) (Note 26)	675,096	373,140
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) (Note 22)	825,608	307,748
Expense relating to low value assets not included in lease liabilities (included in administrative expenses) (Note 22)	24,657	-
Rent rebates (Note 22)	(12,557)	(207,968)

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% (2022: 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% (2022: 10%).

	GROUP	
	2023	2022
	€	€
Year ended 31 March		
At beginning of year	(14,038,437)	(13,602,475)
Credited/(charged) to profit or loss (Note 27):		
Unabsorbed capital allowances	(1,395,137)	(879,847)

10. DEFERRED TAXATIONS (CONTINUED)

Unutilised investment tax credits	**-**	(75)
Unutilised trading losses	**(2,716,284)**	479,218
Temporary differences on property, plant and equipment and provisions for credit loss allowances	**521,838**	(225,439)
Temporary differences on right-of-use assets	**97,755**	113,242
Realisation through asset use	**76,939**	76,939
At end of year	**(17,453,326)**	(14,038,437)

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

The balance at 31 March represents:

	GROUP	
	2023	2022
	€	€
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**267,002**	1,602,946
Investment tax credits	**1,176,527**	1,176,527
Unutilised trading losses	**431,412**	3,161,770
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,082,196)**	(5,524,305)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(14,724,887)**	(14,720,867)
Taxable temporary differences arising from intra-group transactions	**-**	(80,959)

10. DEFERRED TAXATIONS (CONTINUED)

Deductible temporary differences arising from right-of-use assets	**262,532**	203,399
Deductible temporary differences on provisions for credit loss allowances	**216,284**	143,052
	(17,453,326)	(14,038,437)
Disclosed as follows:		
Deferred tax assets	**1,952,058**	4,580,712
Deferred tax liabilities	**(19,405,384)**	(18,619,149)
	(17,453,326)	(14,038,437)

The company has an unrecognised deferred tax asset amounting to Nil (2022: €16,868) arising on unutilised tax losses.

11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023	2022	2023	2022
	€	€	€	€
Non-current				
Amounts owed by subsidiaries	-	-	22,618,093	24,453,236
Other receivables	335,337	335,337	-	-
	335,337	335,337	22,618,093	24,453,236
Current				
Trade receivables	5,496,549	3,270,347	-	-
Less: credit loss allowances	(617,954)	(408,721)	-	-
	4,878,595	2,861,626	-	-
Advance payments to suppliers	2,940,856	2,725,350	-	-
Amounts owed by shareholder	-	1,306,631	-	803,638
Amounts owed by director	5,191	-	-	-
Amounts owed by subsidiaries	-	-	4,782,165	2,121,202
Amounts owed by associates	2,146,278	2,446,804	1,664,152	1,694,012
Amounts owed by other related parties	220,284	201,573	25,000	25,000
Other receivables	1,247,329	962,211	-	23,749
Indirect taxation	321,740	17,436	1,900	-
Prepayments and accrued income	1,785,955	1,647,222	43,544	65,465
	13,546,228	12,168,853	6,516,761	4,733,066

Amounts owed by shareholder, director, subsidiaries, associates and other related parties are unsecured, interest free and repayable on demand.

11. TRADE AND OTHER RECEIVALES (CONTINUED)

Non-current amounts owed by subsidiaries include an amount of €17,000,000 (2022: €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 €5,618,093 (2022: €7,453,236) are unsecured, subject to interest of 2.5% plus 3-month Euribor, subject to a subsidy of 2.4% for the first two years after drawdown, in line with the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) until June 2022 and November 2022 for the two loans respectively. Accordingly, the effective average interest rate as at 31 March 2023 is of 4.9% (2022: 0.1%). The loans are repayable as follows:

	COMPANY	
	2023 €	2022 €
Between 1 and 2 years	2,266,847	2,420,833
Between 2 and 5 years	3,351,246	5,032,403
	5,618,093	7,453,236

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 2023, advance payments to suppliers are supported by collateral in the form of bank guarantees for an amount of €1,000,000 (2022: €1,000,000) as security for the related services that are due to a subsidiary.

12. INVENTORIES

	GROUP	
	2023	2022
	€	€
Food and beverage	**835,261**	654,354
Merchandise	**492,099**	439,401
Consumables and other inventory	**690,518**	378,003
	2,017,878	1,471,758

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	
	2023	2022	**2023**	2022
	€	€	**€**	€
Cash at bank and in hand	**54,419,433**	40,188,342	**47,181,616**	35,440,917
Bank overdrafts (Note 18)	**(679,783)**	(721,983)	**-**	-
Closing carrying amount	**53,739,650**	39,466,359	**47,181,616**	35,440,917

14. SHARE CAPITAL

	COMPANY	
	2023	2022
	€	€
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	
	2023	2022
	€	€
Year ended 31 March		
At beginning of year	**74,103,285**	74,228,964
Transfer upon realisation through asset use, net of deferred tax	**(125,679)**	(125,679)
At end of year	**73,977,606**	74,103,285

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

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

	GROUP	
	2023	2022
	€	€
Capital redemption reserve	**11,628,279**	11,628,279
Incentives and benefits reserve	**1,240,807**	1,240,807
Other reserves	**32,612**	32,612
	12,901,698	12,901,698

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	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current				
Amounts due to Government in relation to purchase of land	**45,525,680**	46,781,751	-	-
Payables with respect to capital expenditure	**203,447**	629,344	-	-
Contract liabilities - deferred income arising on long term rights of use sales	**12,048,214**	12,057,342	-	-
	57,777,341	59,468,437	-	-
Current				
Trade payables	**7,815,320**	3,317,574	-	-
Amounts due to Government in relation to purchase of land	**8,973,241**	5,982,160	-	-
Payables and accruals with respect to capital expenditure	**687,681**	1,760,718	-	-
Contract liabilities				
- Advance deposits from tour operators and other third parties	**2,600,891**	1,460,298	-	-
- Deferred income arising on long term rights of use sales	**1,121,932**	916,842	-	-
Amounts owed to shareholder	**245,283**	-	**245,283**	-
Amounts owed to subsidiaries	-	-	**79,874,819**	66,688,314
Amounts owed to associates	**17,096,449**	14,458,921	-	-
Amounts owed to other related parties	**642,255**	641,611	**2,798,342**	2,798,342
Other payables	**226,699**	166,834	**29,414**	762
Indirect taxation and social security	**1,558,850**	2,781,744	-	4,977
Accrued interest payable to bond holders	**2,646,804**	2,640,406	-	-
Other accruals	**4,390,836**	1,903,729	**40,760**	2,350
	48,006,241	36,030,837	**82,988,618**	69,494,745

17. TRADE AND OTHER PAYABLES (CONTINUED)

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

The maturity of this liability is as follows:

	GROUP	
	2023	2022
	€	€
Due within 1 year	**8,973,241**	5,982,160
Due between 1 and 2 years	**1,562,509**	2,991,080
Due between 2 and 5 years	**4,734,402**	4,710,966
Due after more than 5 years	**159,396,301**	160,964,400
	174,666,453	174,648,606
Less: imputed interest component	**(120,167,532)**	(121,884,695)
	54,498,921	52,763,911

Payables with respect to capital expenditure include an amount of €629,344 (2022: €1,111,724) in relation to a piece of land acquired during the preceding financial year for which payments will be made over 33 months.

The maturity of this liability is as follows:

	2023	2022
	€	€
Due within 1 year	**446,653**	487,444
Due between 1 and 2 years	**205,334**	690,546
	651,987	1,177,990
Less: imputed interest component	**(22,643)**	(66,266)
	629,344	1,111,724

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 (2022: €1,488,101) owed by a subsidiary to the parent company which are subject to interest at 4.8% (2022: 4.8%). All the other amounts are interest free.

17. TRADE AND OTHER PAYABLES (CONTINUED)

Contract liabilities – recognised in revenue during 2023

Revenue recognised in profit or loss during the financial year ended 31 March 2023 that was included in the balances of contract liabilities as at the end of the preceding financial year amounted to €1,055,943 (2022: €1,441,576). All movements in contract liabilities during the current and preceding financial years relates to business variations.

18. BORROWINGS

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current				
Bank loans	**12,114,571**	13,630,344	**5,618,093**	7,453,236
Loan from subsidiary	**-**	-	**1,488,101**	1,488,101
650,000 4.35% Bonds 2017 – 2027	**64,584,587**	64,490,922	**-**	-
	76,699,158	78,121,266	**7,106,194**	8,941,337
Current				
Bank overdrafts	**679,783**	721,983	**-**	-
Bank loans	**4,036,937**	4,046,701	**2,116,867**	2,092,327
	4,716,720	4,768,684	**2,116,867**	2,092,327
Total borrowings	**81,415,878**	82,889,950	**9,223,061**	11,033,664

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

18. BORROWINGS (CONTINUED)

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 2023 and 2022 for the bonds was €97 and €100.25 respectively. The fair value of these financial liabilities as at 31 March 2023 amounts to €63,050,000 (2022: €65,162,500). At the end of the current reporting period, bonds with a face value of €521,625 (2022: €537,327) 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:

	2023 €	2022 €
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	508,623	414,958
Closing net book amount of bond issue costs	(415,413)	(509,078)
Amortised cost and closing carrying amount of the bonds	64,584,587	64,490,922

18. BORROWINGS (CONTINUED)

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 €10,000,000 to its subsidiaries (refer to Note 11 for information relating to balances as at 31 March 2023 and 2022). 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 until June 2022 and November 2022 for the two loans respectively. Accordingly, the effective average interest rate as at 31 March 2023 and 2022 is of 4.9% (2022: 0.1%).

The group's and the company's banking facilities as at 31 March 2023 amounted to €126,358,167 (2022: €80,677,459) and €10,000,000 (2022: €10,000,000) 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 (2022: €75,600,000);

b. general hypothecs over the group's present and future assets up to an amount of €89,100,000 (2022: €85,600,000);

c. pledges over specific insurance policies of group undertakings;

d. 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	
	2023	2022	2023	2022
	€	€	€	€
Bank overdrafts	4.9%	4.0%	-	-
Bank loans	4.6%	3.9%	4.9%	0.1%

18. BORROWINGS (CONTINUED)

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Between 1 and 2 years	**6,164,914**	4,511,649	**2,266,847**	2,420,833
Between 2 and 5 years	**5,949,657**	9,118,695	**3,351,246**	5,032,403
	12,114,571	13,630,344	**5,618,093**	7,453,236

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 0.22% (2022: 0.15%). The loans are unsecured and repayable by not later than 10 April 2027.

19. DEFERRED GOVERNMENT GRANTS

	GROUP	
	2023	2022
	€	€
At beginning of the year	-	4,820
Credited to profit or loss:		
- Annual amortisation related to assets	-	(4,820)
At end of year	-	-

20. LEASE LIABILITIES

	Properties €	Motor vehicles €	Total €
As at 1 April 2021	6,373,349	135,161	6,508,510
Additions	4,517,429	-	4,517,429
Impact of derecognition of leased assets	-	(28,491)	(28,491)
Interest charges	368,538	4,602	373,140
COVID-19 lease concessions	(207,968)	-	(207,968)
Payments effected - total cash outflows	(703,811)	(34,357)	(738,168)
As at 31 March 2022	**10,347,537**	**76,915**	**10,424,452**
Non-current	9,695,459	54,232	9,749,691
Current	652,078	22,683	674,761
Total lease liabilities as at 31 March 2022	**10,347,537**	**76,915**	**10,424,452**
As at 1 April 2022	10,347,537	76,915	10,424,452
Additions	6,615,517	61,611	6,677,128
Lease modifications	7,336	-	7,336
Impact of derecognition of leased assets	(19,107)	-	(19,107)
Interest charges	669,122	5,974	675,096
Lease concessions	(12,557)	-	(12,557)
Payments effected - total cash outflows	(1,581,512)	(37,173)	(1,618,685)
As at 31 March 2023	**16,062,336**	**107,327**	**16,133,663**
Non-current	15,270,504	72,604	15,343,108
Current	755,832	34,723	790,555
Total lease liabilities as at 31 March 2023	**16,026,336**	**107,327**	**16,133,663**

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).

During financial years 31 March 2023 and 2022, rent concessions have been granted to group undertakings. The group 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	
	2023	2022	**2023**	2022
	€	€	**€**	€
By Category				
Hospitality and ancillary services	**40,750,514**	23,708,895	**-**	-
Food and beverage	**25,377,250**	14,097,753	**-**	-
Merchandise and other retailing activities	**4,045,151**	1,741,873	**-**	-
Other revenue	**626,259**	811,325	**-**	-
	70,799,174	40,359,846	**-**	-

Unfulfilled performance obligations, which are the services that the Group is obliged to provide to customers during the remaining fixed term contract, as at 31 March 2023 and 2022, relate to the amounts disclosed under 'contract liabilities' in Note 17 to the financial statements. The Group's revenue that is recognised over time is also disclosed in Note 17.

22. EXPENSES BY NATURE

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Employee benefit expense (Note 23)	**19,098,208**	8,760,937	**-**	-
Amortisation of intangible assets (Note 6)	**121,330**	70,872	**-**	-
Amortisation of right-of-use assets (Note 9)	**1,200,083**	796,120	**-**	-
Depreciation of property, plant and equipment (Note 4)	**8,233,767**	8,133,442	**-**	-
Utilities and similar charges	**1,806,402**	1,352,862	**-**	-
Operating supplies and related expenses	**15,876,164**	9,044,275	**-**	-
Repairs and maintenance costs	**1,198,510**	964,780	**-**	-
Professional fees	**415,906**	422,617	**-**	-
Energy costs	**548,982**	366,534	**-**	-
Marketing, advertising costs and Commissions	**2,289,017**	768,140	**-**	-
Franchise royalties	**690,165**	325,224	**-**	-
Variable lease rentals (Note 9)	**825,608**	307,748	**-**	-
Rent rebates (Note 20)	**(12,557)**	(207,968)	**-**	-
Write-off of investment in subsidiaries (Note 7)	**-**	-	**1,405**	-
Movement in credit loss Allowances (Note 11)	**209,233**	-	**-**	-
Other expenses	**3,642,628**	2,095,468	**86,771**	25,984
Total cost of sales, selling and administrative expenses	**56,143,446**	33,201,051	**88,176**	25,984

22. EXPENSES BY NATURE (CONTINUED)

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	
	2023	2022	**2023**	2022
	€	€	**€**	€
Annual statutory audit	**224,000**	120,980	**40,000**	1,700
Tax advisory and compliance services	**28,125**	7,005	**1,060**	1,065
Other non-audit services	**-**	8,200	**350**	8,200
	252,125	136,185	**41,410**	10,965

Other non-assurance services amounting to €156,210 and €41,900 (2022: €58,600 and Nil) have been charged to the Group and the Company, respectively by connected undertakings of the audit firm.

Fees charged by other auditors for annual statutory audits during the financial year ending 31 March 2023 amounting to €40,658 (2022: Nil).

23. EMPLOYEE BENEFIT EXPENSE

	GROUP	
	2023	2022
	€	€
Wages and salaries (including directors' remuneration)	**18,230,859**	8,232,875
Social security costs	**1,031,097**	505,740
Recharged (to)/from associates	**19,261,956**	8,738,615
	(163,748)	22,322
	19,098,208	8,760,937

Wages and salaries for 2023 are presented net of a payroll grant receivable from the Government amounting to €954,500 (2022: €4,739,526) 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	
	2023	2022
	€	€
Direct	**822**	588
Administration	**109**	72
	931	660

During the year, payroll expenses (including directors emoluments) of €498,772 (2022: Nil) were capitalised within property, plant and equipment (Note 4).

24. INVESTMENT INCOME

	GROUP	
	2023	2022
	€	€
Dividend income	**3,496,154**	-

25. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Amortisation of deferred Government grants (Note 19)	**-**	4,820	**-**	-
Operating lease income	**347,206**	263,397	**-**	-
Insurance business interruption refunds	**-**	3,075,529	**-**	-
Loss of investment in associates	**(17,831)**	-	**-**	-
Other income	**211,722**	458,941	**-**	-
	541,097	3,802,687	**-**	-

26. FINANCE INCOME AND FINANCE COSTS

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**473,191**	82,270
Finance income arising from short-term deposits	**112,405**	53,979	**74,871**	42,102
	112,405	53,979	**548,062**	124,372

26. FINANCE INCOME AND FINANCE COSTS (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,921,165**	2,917,413	**-**	-
Interest on bank borrowings and other loans	**550,142**	104,890	**384,396**	10,071
Interest on loan from subsidiary	**-**	-	**67,709**	67,709
Finance cost on lease liabilities	**675,096**	373,140	**-**	-
Imputed interest component on deferred income arising on long-term rights of use sales	**590,325**	580,319	**-**	-
Other finance charges	**663,754**	420,154	**3,044**	2,256
	5,400,482	4,395,916	**455,149**	80,036

27. TAX EXPENSE

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Current taxation: Current tax (credit)/expense	**(229,583)**	88,137	**1,224,251**	8,555
Deferred taxation (Note 10)	**3,414,889**	435,962	**-**	-
Tax expense	**3,185,306**	524,099	**1,224,251**	8,555

27. TAX EXPENSE (CONTINUED)

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

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	
Profit before tax	**15,559,784**	11,087,931	**3,500,891**	18,352
Tax on profit at 35%	**5,445,924**	3,880,776	**1,225,312**	6,423
Tax effect of:				
Share of results of associates	**(1,977,863)**	(1,563,935)	**-**	-
Expenses not deductible for tax purposes	**359,185**	107,544	**-**	-
Income not subject to tax or charged at reduced rates	**(132,536)**	(322,315)	**(1,658)**	(14,736)
Unrecognised deferred tax in prior year	**(425,876)**	113,105	**-**	-
Unrecognised deferred tax in current year	**5,007**	29,789	**-**	16,868
(Over)/under provision in prior year	**(88,535)**	(35,032)	**597**	-
Incentives in respect of intellectual property of a group undertaking	**-**	(1,685,833)	**-**	-
Tax charge in the accounts	**3,185,306**	524,099	**1,224,251**	8,555

28. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Salaries and other emoluments	**759,346**	909,726	**-**	-

29. DIVIDENDS PAID

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	€	€	**€**	€
Gross dividend	**3,496,154**	-	**3,496,154**	-
Tax at source	**(1,223,654)**	-	**(1,223,654)**	-
Net dividend	**2,272,500**	-	**2,272,500**	-
Dividends per share	**0.57**	-	**0.57**	-

30. CASH GENERATED FROM OPERATIONS

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	€	€	€	€
Operating profit/(loss)	15,196,825	10,961,482	3,407,978	(25,984)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	8,233,767	8,133,442	-	-
Amortisation of intangible assets (Note 6)	121,330	70,872	-	-
Amortisation of right-of-use assets (Note 9)	1,200,083	796,120	-	-
Amortisation of deferred government grants (Note 19)	-	(4,820)		
Write-off of investment in subsidiaries (Note 7)	-	-	1,405	-
Loss on disposal of property, plant and equipment	(1,699)	-		
Movement in credit loss allowances loss allowances (Note 11)	209,233	-	-	-
Rent rebates (Note 20)	(12,557)	(207,968)	-	-
Changes in working capital:				
- Inventories	(546,120)	(136,524)	-	-
- Trade and other receivables	(1,887,134)	(5,095,139)	(1,759,155)	(853,246)
- Trade and other payables	4,730,154	259,247	11,221,373	9,773,487
Cash generated from operations	27,243,882	14,776,712	12,871,601	8,894,257

30. CASH GENERATED FROM OPERATIONS (CONTINUED)

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 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	
	2023 €	2022 €
Authorised but not contracted for	174,200,000	165,800,000

Operating lease commitments - where a group undertaking is a lessor.

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

	GROUP	
	2023 €	2022 €
Less than one year	347,206	263,397

Operating lease receivables relate to property concessions.

32. CONTINGENCIES

At 31 March 2023, 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 €75,150,000 (2022: €73,000,000). At 31 March 2023, the parent company also gave guarantees for an amount of €7,500,000 (2022: €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 €20,141,650 (2022: €20,141,650).

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

d. Uncalled share capital amounting to €5,590 (2022: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2022: €960) relating to shares subscribed in subsidiaries by the parent company.

e. Guarantees of €703,000 (2022: €703,000) 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 Nil (2022: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

g. Guarantees of €108,500 (2022: €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 €310,836 (2022: €310,606) issued by group undertakings to various third parties in the ordinary course of business.

i. The company acknowledges that there is an ongoing tax assessment by the tax authorities for income tax returns filed by the company for a number of years. The company is committed to cooperating fully with the tax authorities throughout the assessment process. Management together with tax advisors are liaising with the tax authorities and providing all the requested information. It is important to note that even if the outcome of the tax assessment is uncertain at the time of approval of these financial statements, the management strongly believes that the assessment will not result in any changes to the filed tax returns and hence in the related tax position. However, due to the inherent complexities involved in tax matters and the unpredictable nature of the assessment process, there can be no assurance as to the final resolution or timing of this matter Management believes that the financial statements fairly present the company's financial position and results of operations, considering the current assessment. However, there can be no guarantee that the final outcomes of the investigation will not differ from the assumptions made by management.

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. Other than the transactions already disclosed in these financial statements, 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.

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 €84,535 (2022: €229,462).

34. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to year end, the Court of Appeal (Inferior Jurisdiction) upheld the decision of the Environmental and Planning Review Tribunal dated 14 December 2021, whereby the Tribunal approved the contents of planning application number: PA3807/17, by means of two decisions given out on 31 of May 2023. To this effect, as at 12 July 2023, the Group has received the executable full development permit. The Board of Directors has instructed management to set forward the commencement of the project.

35. STATUTORY INFORMATION

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

db Group

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