

SD FINANCE plc

Condensed Interim Financial Statements
30 September 2018

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Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from SD Finance plc's unaudited financial information as at 30 September 2018 and the six month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited or reviewed by the company's independent auditors.

Trading performance

The Company

The company was incorporated on 20 January 2017 in terms of the Maltese Companies Act (Cap. 386). The company's principle activity is to carry on the business of a finance and investment company in connection with ownership, development, operation and financing of the business activities of the companies forming part of the db Group of Companies.

On 25 April 2018, the company paid out €2,827,500, being 4.35% interest due to its bond holders. Interest and related income principally receivable from related parties during the period ended 30 September 2018 amounted to €1,507,726 (2017: €1,295,634). Profit before taxation for the current six month period was €8,207 (2017: €19,485). The directors are not anticipating any significant changes during the forthcoming six months.

The Group

The db Group continues to outperform its own results on a year on year basis with revenues up by 10% which translate in an improved Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of over 11% in absolute terms as at the mid-term of the financial reporting year. Positive and improved results have been registered across the entire business segments in which the Group operates.

The Group's positive results are reflected in a healthy and positive Group cash flow movement which will help the Group position itself in an even stronger position.

The directors of the Group are confident of achieving and surpassing the previous year's financial results both in terms of the level of turnover being generated and more importantly in the resultant profitability of the Group when the full year's results are published.

Interim directors' report - continued

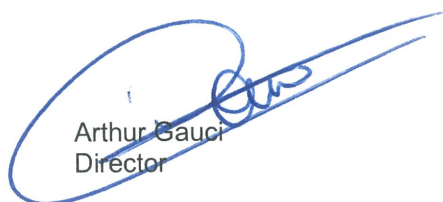
Dividends

The directors do not recommend the payment of an interim dividend.

Director's statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the company as at 30 September 2018 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. the interim directors' report includes a fair review of the information required in terms of Listing Rule 5.81.



Arthur Gauci
Director



Stephen Muscat
Director

Registered office:
Seabank Hotel,
Marfa Road,
Mellieha
MLH 9064
Malta

21 November 2018

Condensed statement of financial position

	Notes	As at 30 September 2018 € (unaudited)	As at 31 March 2018 € (audited)
ASSETS			
Non-current assets			
Loans receivable	4	62,232,686	62,232,686
Current assets			
		3,484,316	4,829,366
Total assets		65,717,002	67,062,052
EQUITY AND LIABILITIES			
Equity			
		263,534	258,199
Non-current liabilities			
Borrowings	2	64,192,188	64,152,312
Current liabilities			
		1,261,280	2,651,541
Total liabilities		65,453,468	66,803,853
Total equity and liabilities		65,717,002	67,062,052

The notes on pages 7 to 11 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 11 were authorised for issue by the board of directors on 21 November 2018 and were signed on its behalf by:


Arthur Gauci
Director


Stephen Muscat
Director

Condensed statement of comprehensive income

	Note	6 months ended 30 September		Period from 20 January to 30 September 2017
		2018 € (unaudited)	2017 € (unaudited)	€ (unaudited)
Finance income		1,507,726	1,295,634	1,295,634
Finance costs		(1,457,499)	(1,262,237)	(1,262,237)
Net interest income		50,227	33,397	33,397
Administrative expenses		(42,020)	(13,912)	(16,427)
Profit before tax		8,207	19,485	16,970
Tax expense		(2,872)	(5,940)	(5,940)
Profit for the period – total comprehensive income		5,335	13,545	11,030
Earnings per share (cents)	3	2.1c	5.4c	4.4c

The notes on pages 7 to 11 are an integral part of these condensed financial statements.

Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2017	250,000	(2,515)	247,485
Profit for the period - total comprehensive income	-	13,545	13,545
Balance at 30 September 2017	250,000	11,030	261,030
Balance at 1 April 2018	250,000	8,199	258,199
Profit for the period - total comprehensive income	-	5,335	5,335
Balance at 30 September 2018	250,000	13,534	263,534

The notes on pages 7 to 11 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	6 months ended 30 September	
	2018 € (unaudited)	2017 € (unaudited)
Cash flows from operating activities	(2,668,999)	177,380
Cash flows from investing activities	-	(62,232,686)
Cash flows from financing activities	-	64,153,781
Net movement in cash and cash equivalents	(2,668,999)	2,098,475
Cash and cash equivalents at beginning of period	4,827,878	-
Cash and cash equivalents at end of period	2,158,879	2,098,475

The notes on pages 7 to 11 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. Basis of preparation

This condensed interim financial information for the six month period ended 30 September 2018 has been prepared in accordance with IAS 34, 'Interim financial reporting'. They have been prepared under the historical cost convention. These financial statements have not been audited nor reviewed by the company's independent auditors. The condensed interim financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the period ended 31 March 2018, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied in the preparation these condensed interim financial statements are consistent with those applied in the annual financial statements for the period ended 31 March 2018, with the exception of the adoption of IFRS 9, 'Financial instruments' as set out below in Note 1.1.

1.1 New and amended standards adopted by the company and changes in accounting policies

During the current financial period, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 April 2018. Apart from the adoption of IFRS 9 'Financial Instruments', the other standards did not have any impact on the company's accounting policies.

As from 1 April 2018, the company's directors reviewed the company's financial assets in particular the loans advanced to related parties (see Note 4). In view of the respective entities' history, results to date, gearing ratios and reserves, as well as forward looking estimates, the directors applied judgement in determining the appropriate expected credit loss provisions as a result of adopting the expected future loss framework under IFRS 9, rather than the incurred loss impairment framework under IAS 39.

Following the assessment of the directors, all of the company's financial assets are considered to have low credit risk and a low risk of default. In this respect, the loss allowance was deemed immaterial to be recognised in the opening balance sheet on 1 April 2018 and during the current interim period.

2. Borrowings

	30 September 2018	31 March 2018
	€	€
Non-current		
650,000 4.35% bonds 2027	64,192,188	64,152,312

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 interest method as follows:

	30 September 2018	31 March 2018
	€	€
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	116,224	76,348
Closing net book amount of bond issue costs	(807,812)	(847,688)
Amortised cost and closing carrying amount of the bonds	64,192,188	64,152,312

By virtue of an offering memorandum dated 27 March 2017, the company issued 650,000 bonds with a face value of €100 each, for an aggregate amount of €65,000,000. The bonds have a coupon interest of 4.35% which is payable annually in arrears on 25 April. The bonds are redeemable at par and are due for redemption on 25 April 2027 unless they are previously re-purchased and cancelled in accordance with the provisions of the offering memorandum. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price for the bonds as at 30 September 2018 was €104 (31 March 2018: €103). At the end of the reporting period, bonds with a face value of €500,000 (31 March 2018: €500,000) were held by a company director.

3. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the period. The diluted earnings per share is equal to the basic earnings per share.

	6 months ended 30 September		Period from 20 January to 30 September 2017
	2018	2017	
Net profit attributable to owners of the company	€5,335	€13,545	€11,030
Weighted average number of ordinary shares in issue	250,000	250,000	250,000
Earnings per share (€ cents)	2.1c	5.4c	4.4c

4. Related party transactions

The company forms part of the db Group of Companies. All companies forming part of the db Group are related parties since these companies are all ultimately owned by SD Holdings Limited, which is considered by the directors to be the ultimate controlling party. The main related parties with whom transactions were entered into during the current and the comparative financial periods were SD Holdings Limited, the guarantor of the bonds, and fellow subsidiaries to whom the bond proceeds were advanced in accordance with the provisions of the prospectus (see Note 2).

Balances with related parties at the end of the financial reporting periods were as follows:

	30 September 2018 €	31 March 2018 €
Loans receivable		
Loan to parent company	1,488,101	1,488,101
Loans to fellow subsidiaries	60,744,585	60,744,585
	62,232,686	62,232,686
Interest income receivable		
From parent company	31,354	36
From fellow subsidiaries	1,279,880	1,452
	1,311,234	1,488

The loans receivable are subject to a fixed interest rate of 4.55% with an additional renewal fee which is chargeable on loans at a floating rate at the discretion of the directors the issuer. As at the end of the current interim reporting period the element of the floating interest rate was 0.285% (31 March 2018: 0.19%). The loans are unsecured and repayable by not later than 10 April 2027.

4. Related party transactions – continued

Interest and related income during the current and the comparative six month period is disclosed below:

	6 months ended 30 September	
	2018	2017
	€	€
Finance income from loan advanced to parent company	35,983	30,981
Finance income from loans advanced to fellow subsidiaries	1,468,862	1,264,653
	1,504,845	1,295,634