

SD FINANCE plc

Half-Yearly Report
30 September 2017

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Interim directors' report

This Half-Yearly Report is being published 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 included in this report have been extracted from SD Finance plc's unaudited financial information as at 30 September 2017 and the periods 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 the 25 April 2017, the company issued an aggregate of €65,000,000 in bonds having a face value of €100 per bond, subject to a minimum holding of €2,000 in bonds. The bonds have a coupon interest rate of 4.35% per annum as stated in the prospectus dated 27 March 2017. These bonds were eventually admitted for listing on the Malta Stock Exchange on 4 May 2017.

In accordance with the provisions of the above noted prospectus, the proceeds from the bond issue have been advanced by the company to fellow subsidiaries forming part of the db Group for the purpose of re-financing existing bank facilities with the group, financing the redemption of redeemable preference shares of a fellow subsidiary and for the general corporate funding purposes of the group. These bonds are guaranteed by SD Holdings Limited who is the ultimate parent of the db Group.

Interest and related income, principally receivable from related parties, during the periods ended 30 September 2017 amounted to €1,295,634. Profit before taxation for the six-month period then-ended was €19,495. 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 8% which translates into an improved Earnings Before Interest, Depreciation, Tax and Amortisation (EBIDTA) of just over 7% in absolute terms as at the mid-term of the financial year. Positive and improved results have been registered across all 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 going into the proposed development at St George's Bay, St Julian's.

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 2017, 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

16 November 2017

Condensed statement of financial position

	Notes	As at 30 September 2017 € (unaudited)	As at 31 March 2017 € (unaudited)
ASSETS			
Non-current assets			
Loans and receivables	7	62,232,686	-
Current assets			
		3,394,109	277,847
Total assets		65,626,795	277,847
EQUITY AND LIABILITIES			
Equity			
		261,030	247,485
Non-current liabilities			
Borrowings	4	64,114,243	-
Current liabilities			
		1,251,522	30,362
Total liabilities		65,365,765	30,362
Total equity and liabilities		65,626,795	277,847

The notes on pages 7 to 14 are an integral part of this interim condensed financial information.

The condensed interim financial information on pages 3 to 14 were authorised for issue by the board of directors on 16 November 2017 and were signed on its behalf by:


Arthur Gauci
Director


Stephen Muscat
Director

Condensed statement of comprehensive income

	Note	Period from 1 April to 30 September 2017 € (unaudited)	Period from 20 January to 30 September 2017 € (unaudited)
Finance income		1,295,634	1,295,634
Finance costs		(1,262,237)	(1,262,237)
Net interest income		33,397	33,397
Administrative expenses		(13,912)	(16,427)
Profit before tax		19,485	16,970
Tax expense		(5,940)	(5,940)
Profit for the period – total comprehensive income		13,545	11,030
Earnings per share (cents)	4	5.4c	4.4c

The notes on pages 7 to 14 are an integral part of this interim condensed financial information.

Condensed statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 20 January 2017		-	-	-
Issue of share capital	3	250,000	-	250,000
Profit for the period - total comprehensive income		-	11,030	11,030
Balance at 30 September 2017		250,000	11,030	261,030

The notes on pages 7 to 14 are an integral part of this interim condensed financial information.

Condensed statement of cash flows

	Note	Period from 20 January to 30 September 2017 € (unaudited)
Net cash generated from operating activities		5,197
Net cash used in investing activities		(62,232,686)
Net cash generated from financing activities		64,325,964
Net movement in cash and cash equivalents		<u>2,098,475</u>
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	2	<u>2,098,475</u>

The notes on pages 7 to 14 are an integral part of this interim condensed financial information.

Notes to the half-yearly report

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

This condensed interim financial information for the period ended 30 September 2017 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.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company'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.

1.3 Financial assets

1.3.1 Classification

The company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise of loans and advances (Note 1.4), and trade and other receivables (Note 1.5) in the statement of financial position.

1. Significant accounting policies – continued

1.3 Financial assets – continued

1.3.2 Recognition and measurement

The company 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, which is the date on which an asset is delivered to or by the company.

Financial assets are initially recognised at fair value plus transaction costs. These are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.3.3 Impairment

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

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

Assets carried at amortised cost

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

1. Significant accounting policies – continued

1.4 Trade and other receivables

Trade and other receivables comprise amounts due from shareholder and prepayments. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at cost and subsequently remeasured at amortised cost to take cognisance of impairment losses. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss. Upon derecognition, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement.

1.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes deposits held at call with banks.

1.6 Share capital

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

1.7 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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 company 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. Significant accounting policies – continued

1.8 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.9 Trade and other payables

Trade and other payables comprise amounts owed to fellow subsidiaries to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables 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.

1.10 Current and deferred tax

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

Deferred tax is recognised 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 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 end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

1.11 Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Accordingly, interest expense includes the effect of amortising any difference between net proceeds and redemption value in respect of the company's interest-bearing borrowings.

1. Significant accounting policies – continued

1.12 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions. The Board considers the company to constitute one reportable segment in view of its activities.

2. Cash and cash equivalents

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2017	30 March 2017
	€	€
Cash at bank	2,098,475	-

These deposits are held at call with banks and earn interest at market-based floating rates of interest. Cash at bank is included within current assets in the statement of financial position.

3. Share capital

	30 September 2017	30 March 2017
	€	€
Authorised 250,000 ordinary shares of €1 each	250,000	250,000
Issued 250,000 ordinary shares of €1 each	250,000	250,000

4. Borrowings

	30 September 2017	30 March 2017
	€	€
Non-current		
650,000 4.35% bonds 2027	64,114,243	-

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 2017
	€
Face value	
650,000 4.35% bonds 2027	65,000,000
Bond issue costs	(924,036)
Accumulated amortisation	38,279
Closing net book amount	(885,757)
Amortised cost at 30 September	64,114,243

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' interest 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. At the end of the reporting period, bonds with a face value of €500,000 were held by a company director.

5. Earnings per share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the period.

	Period from 1 April to 30 September 2017	Period from 20 January to 30 September 2017
Net profit attributable to owners of the company	€13,545	€11,030
Number of ordinary shares in issue (Note 3)	250,000	250,000
Earnings per share	5.4c	4.4c

6. 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 financial period were SD Holdings Limited, the guarantor of the bonds and the companies to whom the loans were advanced from the bond proceeds.

The principal transactions carried out with related parties during the period are outlined below:

- i) Advances amounting to €62,232,686, which as at 30 September 2017 were split as follows:

	€
Loan to parent company	1,488,101
Loans to fellow subsidiaries	60,744,585
	62,232,686

These loans are subject to a fixed interest rate of 4.55% per annum and a variable renewal fee of 0.55% per annum. Furthermore, the loans are unsecured and repayable on 10 April 2027.

6. Related party transactions – continued

- ii) Interest and related income during the period ended 30 September 2017 amounted to €1,295,634, split as follows:

	Six-months ended 30 September
	2017 €
Parent company	1,155,909
Fellow subsidiary	139,725
	1,295,634