SD FINANCE plc

A Company registered in Malta having registration Number C 79193
Registered Address: Seabank Hotel, Marfa Road, Mellieha MLH 9064

COMPANY ANNOUNCEMENT

Audited Financial Statements

The following is a Company Announcement issued by SD Finance p.l.c. pursuant to the Listing Rules of the Listing Authority.

Quote
At a meeting of the Board of Directors of SD Holdings Limited (the "Guarantor"), held on 31st July 2019 the attached Audited Financial Statements for the year ending 31st March 2019 where approved by the Board.

The Board observed that the Group Audited Financial Statements and the forecast numbers as per Financial Analysis Summary, which were published on the 26th September 2018, show an improvement of € 2.5 million in profit after tax, now factoring in at € 10.7 million. This marked improvement in results is mainly driven by the additional revenues generated across the Group, reaching in excess of € 3.1 million as compared to the Financial Analysis Summary.

The Audited Financial Statements for the year ending 31st March 2019 are available for viewing on:

http://www.dbgroupmalta.com/wp-content/uploads/2019/07/SD-Holdings_FY2019.pdf

Unquote

Shaheryar Ghaznavi
Company Secretary

31st July 2019
Ref: SDA27

SD HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 March 2019

Company Registration Number: C40318

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2019.

Principal activities

The company's principal activity is that of holding investments.

The group operates in the local market and predominantly in hospitality, leisure and catering activities. It operates and owns two hotels: the db Seabank Resort & SPA situated at Ghadira Bay Mellieha and the db San Antonio Hotel & SPA situated in Bugibba. It also operates and owns the restaurant amenities at the Tunny Net Complex (now restyled as Adeera) and operates three outlets under the *Hard Rock Café* franchise.

The group also holds investments in associates which provide healthcare and catering services to hospitals and retirement homes and associates which provide catering services primarily to Air Malta and other airlines operating from Malta. Other associated investments operate in the hospitality and catering industries.

Review of business

Total revenue for the group during the year under review reached €56.1 million resulting in a year on year increase of €5.9 million (+11.7%). This incremental revenue reflected itself in an earnings before interest, tax, depreciation and amortisation (EBITDA) which continues to show a positive trajectory, factoring in at €26.4 million as against €21.6 million registered for 2018 (+22.5%). These results further consolidate the margin of profit or return on turnover generated at 47%, showing an improvement on the 2018 comparative ratio at 43%. The group continues to witness an increase across all its revenue streams, particularly in the hospitality and leisure sector. The main driver within this segment of revenues is the improved yields on hotel accommodation. These numbers reflect another record year in terms of profitability for the group.

This performance led to an improvement in net profit of €3.1 million, factoring in at €10.7million against comparative for 2018 of €7.6 million. Net finance costs at €2.9 million were considerably lower by €0.56 million on 2018 comparatives. The overall hotel portfolio occupancy continued on a strong footing, retaining the 80% on an annualised basis. The business is spread across the entire 12 months of the year which is now reaching a consolidation point after a number of successive years of growth.

The food, beverage and merchandise components continue to factor in positive growth trends at 11%. Further growth is expected from this segment over the next 12 months following the rolling out of a number of new eateries and the world renowned *Starbucks* outlets.

The group's balance sheet value now equates at €317 million. The increase from prior year is primarily emanating from the revaluation of the group's hotels by €74 million. Further increases in capital expenditure included €5.4 million in property, plant and equipment primarily relating to the uplifting and refurbishments of the group's amenities and €6 million in the group's City Centre, classified within investment property. The group's equity base saw an increase of €68.8 million, this being mainly the result of the revaluation exercise of the two hotel properties owned by the group as noted above. As a result, the group's gearing ratio witnessed a downward movement and now stands at 32% as against 50% for 2018.

Cash and cash equivalents, net of overdrafts stood at €10.4 million, an improvement of €1.96 million over 2018 comparatives. This is reflected in a net interest rate cover of 9 multiple against a 6.2 multiple in the prior year.

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

Directors' report - continued

Outlook for the financial year ending 2020

The outlook for 2020 remains a positive one and early results for the year are encouraging showing further improvement in business results for the group. The performances of all segments within the group point towards sustaining this year's results both as a result of the macro element effect generated from tourism in general together with the group's continued investment in its existing properties and the opening of new business units.

The group has now been completed a €4 million state of the art kitchen at Saint Vincent de Paule Residence, which will further improve the quality of service and grant the group greater operational flexibility to serve one of its major clients in this sector. Additionally, work has now started on the extension of the same residence which, once completed, will see the addition of another 504 beds. This investment is being undertaken by Malta Healthcare Caterers Limited, an associate of the group.

Negotiations on a revised business concept were also successfully concluded with the national carrier, Air Malta. The new concept also saw the introduction of the buy on board concept to economy class passengers.

The group's next business milestone is the development of the City Centre in St. George's Bay, St. Julians. This development is still subject to Planning Authority review and its outcome will define the group's way forward over the next couple of years.

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 10. The directors do not recommend the payment of a dividend.

Retained earnings carried forward at the end of the financial reporting period for the group amounted to €33,945,259 (2018: €24,254,767).

Directors

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

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

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

Directors' report - continued

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 2019 are included in the Annual Report and Consolidated Financial Statements 2019, which is published in hard-copy printed form and made available on the group's website. The directors of the entities constituting the db group are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

Silvio Debono Director	Arthur Gauci Director

Registered office:
Seabank Hotel
Marfa Road
Ghadira, Malta

31 July 2019

Independent auditor's report

To the Shareholders of SD Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- SD Holdings Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 March 2019, 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 8 to 70, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises of the Directors' report and the db Group Annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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.

pwc

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

Other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

31 July 2019

Statements of financial position

		As at 31 March			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**205,207,368**	132,847,964	**-**	-
Investment property	5	**71,553,630**	65,500,697	**-**	-
Intangible assets	6	**287,608**	486,060	**-**	-
Investments in subsidiaries	7	**-**	-	**35,912,741**	17,022,572
Investments in associates	8	**7,757,226**	6,163,760	**5,400**	900
Deferred tax assets	9	**1,363,394**	4,024,124	**-**	-
Trade and other receivables	10	**75,000**	-	**-**	-
Total non-current assets		**286,244,226**	209,022,605	**35,918,141**	17,023,472
Current assets					
Inventories	11	**1,219,608**	1,207,104	**-**	-
Trade and other receivables	10	**18,094,555**	10,050,652	**2,239,029**	8,930,707
Cash and cash equivalents	12	**11,004,457**	9,602,044	**4,450,162**	1,955,735
Total current assets		**30,318,620**	20,859,800	**6,689,191**	10,886,442
Total assets		**316,562,846**	229,882,405	**42,607,332**	27,909,914

Statements of financial position - continued

		As at 31 March			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Revaluation reserve	14	**81,706,384**	22,585,765	**-**	-
Other reserves	16	**12,930,164**	12,930,164	**-**	-
Retained earnings/(accumulated losses)		**33,945,259**	24,254,767	**(41,581)**	(38,288)
Total equity		**132,581,807**	63,770,696	**3,958,419**	3,961,712
Non-current liabilities					
Trade and other payables	18	**59,932,547**	58,598,213	**-**	-
Borrowings	19	**72,535,616**	72,456,082	**1,488,101**	1,488,101
Deferred Government grants	20	**9,641**	14,462	**-**	-
Deferred tax liabilities	9	**22,258,251**	6,633,267	**-**	-
Total non-current liabilities		**154,736,055**	137,702,024	**1,488,101**	1,488,101
Current liabilities					
Trade and other payables	18	**27,083,264**	26,926,403	**37,160,812**	22,460,101
Current tax liabilities		**1,393,802**	181,178	**-**	-
Borrowings	19	**763,097**	1,293,283	**-**	-
Deferred Government grants	20	**4,821**	8,821	**-**	-
Total current liabilities		**29,244,984**	28,409,685	**37,160,812**	22,460,101
Total liabilities		**183,981,039**	166,111,709	**38,648,913**	23,948,202
Total equity and liabilities		**316,562,846**	229,882,405	**42,607,332**	27,909,914

The notes on pages 16 to 70 are an integral part of these financial statements.

The financial statements on pages 8 to 70 were authorised for issue and signed by the board of directors on 31 July 2019 and were signed on its behalf by:

Silvio Debono
Director

Arthur Gauci
Director

Income statements

		Year ended 31 March			
		Group		**Company**	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
Revenue	21	**56,121,129**	50,258,683	**-**	-
Cost of sales	22	**(36,980,866)**	(33,609,107)	**-**	-
Gross profit		**19,140,263**	16,649,576	**-**	-
Selling expenses	22	**(401,542)**	(324,958)	**-**	-
Administrative expenses	22	**(2,748,830)**	(2,467,431)	**(17,750)**	(16,677)
Movement in credit loss allowance	22	**1,085,091**	(216,981)	**-**	-
Other operating income	24	**360,989**	316,600	**14,457**	-
Operating profit/(loss)		**17,435,971**	13,956,806	**(3,293)**	(16,677)
Finance income	25	**14,524**	6,140	**68,344**	75,128
Finance costs	25	**(2,943,944)**	(3,494,098)	**(68,344)**	(73,413)
Share of results of associates	8	**1,588,966**	912,015	**-**	-
Profit/(loss) before tax		**16,095,517**	11,380,863	**(3,293)**	(14,962)
Tax expense	26	**(5,402,891)**	(3,789,887)	**-**	(201)
Profit/(loss) for the year		**10,692,626**	7,590,976	**(3,293)**	(15,163)

The notes on pages 16 to 70 are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 31 March			
		Group		Company	
	Notes	**2019 €**	2018 €	**2019 €**	2018 €
Profit/(loss) for the year		**10,692,626**	7,590,976	**(3,293)**	(15,163)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges, net of deferred tax	15	**-**	34,727	**-**	-
Items that will not be subsequently reclassified to profit or loss					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	14	**59,120,619**	-	**-**	-
Total other comprehensive income		**59,120,619**	34,727	**-**	-
Total comprehensive income for the year		**69,813,245**	7,625,703	**(3,293)**	(15,163)

The notes on pages 16 to 70 are an integral part of these financial statements

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserve €	Hedging reserve €	Other reserves €	Retained earnings €	Non-controlling interest €	Total €
		Attributable to owners of the parent						
Balance at 1 April 2017		4,000,000	22,585,765	(34,727)	3,377,359	26,216,596	9,552,805	65,697,798
Comprehensive income								
Profit for the year		-	-	-	-	7,590,976	-	7,590,976
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	34,727	-	-	-	34,727
Total comprehensive income		-	-	34,727	-	7,590,976	-	7,625,703
Transactions with owners								
Redemption of redeemable non-cumulative preference shares of a subsidiary attributable to non-controlling interest	17	-	-	-	-	-	(9,552,805)	(9,552,805)
Transfer to capital redemption reserve	17	-	-	-	9,552,805	(9,552,805)	-	-
Total transactions with owners		-	-	-	9,552,805	(9,552,805)	(9,552,805)	(9,552,805)
Balance at 31 March 2018		**4,000,000**	**22,585,765**	**-**	**12,930,164**	**24,254,767**	**-**	**63,770,696**

Statements of changes in equity - continued

Group

	Notes	Attributable to owners of the parent				
		Share capital €	**Revaluation reserve** €	**Other reserves** €	**Retained earnings** €	**Total** €
Balance at 1 April 2018 - as originally reported		4,000,000	22,585,765	12,930,164	24,254,767	63,770,696
Impact of change in accounting policies						
Transition adjustment upon adoption of IFRS 9 on 1 April 2018	1.1.1	-	-	-	(1,002,134)	(1,002,134)
Balance at 1 April 2018 - as restated		4,000,000	22,585,765	12,930,164	23,252,633	62,768,562
Comprehensive income						
Profit for the year		-	-	-	10,692,626	10,692,626
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	14	-	59,120,619	-	-	59,120,619
Total comprehensive income		-	59,120,619	-	10,692,626	69,813,245
Balance at 31 March 2019		**4,000,000**	**81,706,384**	**12,930,164**	**33,945,259**	**132,581,807**

Statements of changes in equity - continued

Company

	Notes	**Share capital** €	**Accumulated losses** €	**Total** €
Balance at 1 April 2017		4,000,000	(19,910)	3,980,090
Comprehensive income				
Loss for the year – total comprehensive income		-	(15,163)	(15,163)
Transactions with owners				
Adjustment arising upon merger	7	-	(3,215)	(3,215)
Balance at 31 March 2018		4,000,000	(38,288)	3,961,712
Comprehensive income				
Loss for the year – total comprehensive income		-	(3,293)	(3,293)
Balance at 31 March 2019		**4,000,000**	**(41,581)**	**3,958,419**

The notes on pages 16 to 70 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 March			
		Group		**Company**	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	28	**24,809,203**	19,455,086	**2,510,913**	466,839
Net interest paid		**(2,825,898)**	(3,411,610)	**-**	(240)
Tax paid		**(362,616)**	(415,520)	**-**	(201)
Net cash generated from operating activities		**21,620,689**	15,627,956	**2,510,913**	466,398
Cash flows from investing activities					
Payments of property, plant and equipment		**(6,244,114)**	(5,118,727)	**-**	-
Proceeds from disposal of property, plant and equipment		**3,500**	50,000	**-**	-
Payments for investment property and related property development expenditure		**(13,375,623)**	(5,360,430)	**-**	-
Payments for intangible assets		**(43,365)**	-	**-**	-
Consideration paid for investments in subsidiaries and associates		**(4,500)**	-	**(16,486)**	(500,000)
Net cash used in investing activities		**(19,664,102)**	(10,429,157)	**(16,486)**	(500,000)
Cash flows from financing activities					
Proceeds from the issuance of bonds	19	**-**	65,000,000	**-**	-
Payments for bond issue costs	19	**-**	(924,036)	**-**	-
Proceeds from bank borrowings	19	**-**	8,447,702	**-**	-
Repayments of bank borrowings	19	**-**	(62,174,040)	**-**	(1,525,082)
Proceeds from advances from subsidiary	19	**-**	-	**-**	1,488,101
Payments in respect of redeemable		**-**			
non-cumulative preference shares	17	**-**	(9,552,805)	**-**	-
Net cash generated from/(used in) financing activities		**-**	796,821	**-**	(36,981)
Net movements in cash and cash equivalents		**1,956,587**	5,995,620	**2,494,427**	(70,583)
Cash and cash equivalents acquired upon merger	7	**-**	-	**-**	120
Cash and cash equivalents at beginning of year		**8,452,693**	2,457,073	**1,955,735**	2,026,198
Cash and cash equivalents at end of year	12	**10,409,280**	8,452,693	**4,450,162**	1,955,735

The notes on pages 16 to 70 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These consolidated financial statements include the financial statements of SD Holdings Limited and its subsidiary undertakings. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment.

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

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

During the current financial year, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 April 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the group's accounting policies impacting the group's financial performance and position. The group had to change its accounting policies as a result of adopting IFRS 9 *'Financial instruments'* and IFRS 15 *'Revenue from Contracts with Customers'.* The new accounting policies are disclosed in Notes 1.8 and 1.20 below. On transition to IFRS 9 the group had to make retrospective adjustments as a result of adopting the standard and the impact of the adoption of this standard is disclosed in Note 1.1.1.

The group did not require retrospective adjustments upon adopting IFRS 15. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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 2018. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the group's directors are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 16, 'Leases'

Under IFRS 16, "Leases", 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. IFRS 16 removes the distinction between operating and finance leases for lessees, and requires them to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; the only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019. The group will apply the standard from its mandatory adoption date of 1 April 2019 and will apply the simplified transition approach. Under this approach, the group will not restate comparative amounts for the year prior to first adoption, the lease liability is measured at the present value of the remaining lease payments as at 1 April 2019, and the right-of-use assets at that date will be measured at an amount equivalent to this lease liability plus prepaid lease expenses.

The group has entered into lease arrangements for the use of immovable properties; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the group has non-cancellable operating lease commitments in respect of the lease of these immovable properties which amounted to €9,149,000.

Management has estimated that the lease liability for the group's lease arrangement amounts to circa €3,124,000, and the right-of-use asset at that date amounts to circa €3,145,000, which is inclusive of the prepaid rent at 1 April 2019; management is assessing the impact on deferred tax balances, and there is no adjustment to equity upon initial application of the standard. The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure on this arrangement by amortisation of the right-of-use asset, and by an interest cost on the lease liability. Management estimates that rental costs on this arrangement, amounting to around €1,294,000 for the year ending 31 March 2019, will be replaced by an annual amortisation charge on the right-of-use asset amounting to €432,000 and a notional interest expense of €198,000. The adoption of IFRS 16 will therefore result in an increase of circa €664,000 in profitability for the year ending 31 March 2020.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the group's statement of cash flows. The reduction in lease liability, amounting to €360,000 for the year ending 31 March 2020, will accordingly be reported as a financing cash flow instead of an operating cash flow. The Company is assessing whether to present rental payments allocated to interest, amounting to €198,000 for the year ending 31 March 2020, as financing cash flows or as operating cash flows.

1.1.1 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9, 'Financial Instruments' on the group's combined financial statements.

(a) Impact on the financial statements

As a result of the changes in the group's accounting policies and as explained below in 1.1.1(b), IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening statement of financial position on 1 April 2018.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Statement of financial position (extract)

	1 April 2018		
	Based on 31 March 2018 figures as originally stated €	Impact of adoption of IFRS 9 €	As restated €
ASSETS			
Current assets			
Trade and other receivables	10,050,652	(1,541,745)	8,508,907
Total assets	229,882,405	(1,541,745)	228,340,660
EQUITY AND LIABILITIES			
Equity			
Retained earnings	24,254,767	(1,002,134)	23,252,633
Total equity	63,770,696	(1,002,134)	62,768,562
Non-current liabilities			
Deferred tax	6,633,267	(539,611)	6,093,656
Total liabilities	166,111,709	(539,611)	165,572,098

(b) IFRS 9, 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, 'Financial Instruments' from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.8. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the group's equity as at 1 April 2018 is disclosed above and related to the increase in impairment allowances on trade and other receivables.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(i) Classification and measurement

On 1 April 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to its financial assets and has classified its financial instruments into the appropriate IFRS 9 categories. The group's key financial assets presented in the statement of financial position, comprising trade and other receivables and cash equivalents, were classified as loans and receivables measured at amortised cost for IAS 39 purposes and remain categorised as financial assets measured at amortised cost under IFRS 9 requirements.

(ii) Impairment of financial assets

The group was required to revise its impairment methodology under IFRS 9 for trade receivables and contract assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table above.

While amounts receivable from related parties, other receivables and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was insignificant.

<u>Trade receivables and contract assets</u>

For trade receivable and 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. The loss allowance as at 1 April 2018 was determined as follows for both trade receivables and contract assets:

1 April 2018	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
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	928,716	535,014	395,932	267,337	4,528,756	6,655,755
Loss allowance (€)	37,149	26,751	27,715	32,080	1,635,031	1,758,726

	€
Loss allowance as at 31 March 2018 - utilising IAS 39 principles (incurred loss model)	216,981
Amounts reflected through restatement of opening retained earnings as at 1 April 2018	1,541,745
Opening impairment loss allowance as at 1 April 2018 – utilising IFRS 9 principles (expected loss model)	**1,758,726**

The movements in the impairment loss allowances during the current financial year are disclosed in Note 22.

1. Summary of significant accounting policies - continued

1.2 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Associates

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

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

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

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

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

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

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

	%
Buildings	1 - 3
Computer equipment	20 - 33.33
Furniture, fixtures and fittings	6.67 - 10
Motor vehicles	20
Plant, machinery and operational equipment	6.67 - 15
Audio visual equipment	10 - 50

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).

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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. Summary of significant accounting policies - continued

1.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

(b) Franchise rights

Franchise rights are shown at historical cost. Franchise rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.7 Impairment of non-financial assets

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

1. Summary of significant accounting policies - continued

1.8 Financial assets

Classification

From 1 April 2018, the group classifies its financial assets in the following measurement categories:

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

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

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(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.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

- 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

From 1 April 2018, 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. Summary of significant accounting policies - continued

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 which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

1.16 Deferred Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

1. Summary of significant accounting policies - continued

1.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.18 Derivative financial instruments and hedging

Derivative financial instruments include interest rate swap agreements and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. That portion of hedging derivatives which is expected to be realised within 12 months of the reporting date is presented as current; the remainder of the derivative is presented as non-current. The company does not hold any trading derivatives.

1.19 Current and deferred tax

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.20 Revenue recognition

Revenues include all revenues from the ordinary business activities of the group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The group's business principally comprises sales of goods and services in the hospitality industry.

(a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the group's recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the group fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Sales from hospitality and ancillary services

Revenue from services is generally recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue arising from hospitality activities is recognised when the service is performed and/or when the goods (primarily food and beverage relating restaurant and bar sales) are supplied upon performance of the service. Revenue is usually in cash, credit card or on credit.

1. Summary of significant accounting policies - continued

1.20 Revenue recognition - continued

A group undertaking also operates a number of rooms on a timeshare basis. In the case of timeshare, customers buy the right to a slot in a given time period, for which the customer must make an up-front payment. Subsequently, the customer must also make annual contributions to the scheme to cover the share of maintenance costs. The customers get the benefits (i.e. control over the promise) with every passing day of each year's stay at the vacation apartment/suite. The revenue stream therefore meets the conditions for revenue recognition over time (i.e. stage of completion), and revenue is accordingly recognised on a daily basis of accommodation.

Sales of goods – retail

Sales of goods are recognized when the group has delivered products to the customer and there 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. Summary of significant accounting policies - continued

1.22 Operating and finance leases

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

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) Operating leases – where a group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term and is presented within 'Other operating income'.

(c) Finance leases – where a group undertaking is the lessor

When assets are leased out under a finance lease, the lower of the fair value of the leased asset and the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return.

1.23 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment and investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings. Such instruments matured during the current year.

1.24 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

1. Summary of significant accounting policies - continued

1.25 Accounting policies applicable until 31 March 2018

1.25.1 Financial assets

Classification

The group classifies its financial assets as loans and receivables. 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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. 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 group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.25.2, 1.25.3 and 1.11).

Recognition and measurement

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 classified within the loans and receivables category are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables 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 assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group 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 group first assesses whether objective evidence of impairment exists.

The criteria that the group 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.

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 carrying amount of the asset 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. Impairment testing of receivables is described in Note 1.10.

1. **Summary of significant accounting policies** - continued

1.25 Accounting policies applicable until 31 March 2018 - continued

1.25.2 Loans and advances

Under the requirements of IAS 39, the group's loans and advances, are classified as loans and receivables, unless the group has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost, which is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts, using the effective interest method. The group assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

1.25.3 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group 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.

1.25.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the group has delivered products to the customer and there is no unfulfilled obligation 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.

1. **Summary of significant accounting policies** - continued

1.25 Accounting policies applicable until 31 March 2018 - continued

(b) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(c) Dividend income

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

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. In prior years, in order to manage exposures attributable to risks arising from fluctuations in interest rates, a group undertaking made use of derivative financial instruments during, by entering into an interest rate swap agreement with a major local banking institution. Such instruments matured during the preceding financial year.

(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 a group undertaking'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.

2. Financial risk management - continued

(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 19). The company's fixed interest instrument also comprise the loan from subsidiary (Note 19). In this respect, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

(iii) Cash flow interest rate risk

For the company the cash flow interest rate risk principally arises from amounts owed by subsidiary also subject to variable rates (refer to Note 18). The interest expense arising from the borrowings is on the same lines of the interest income from the receivables. Accordingly, the company is not exposed to cash flow interest rate risk.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) which expose the group to cash flow interest rate risk. In prior years, a group undertaking entered into a swap agreement to manage exposures arising from variable interest rates on a particular bank loan which agreement matured during the current year. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the balance sheet date to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(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**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets measured at amortised cost:				
Trade and other receivables (Note 10)	**10,437,559**	9,413,337	**21,330,625**	8,930,708
Cash and cash equivalents (Note 12)	**10,409,280**	8,452,693	**4,450,162**	1,953,735
	20,846,839	17,866,030	**25,780,787**	10,884,443

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The group does not hold any collateral as security in this respect. The figures disclosed above in respect of trade and other receivables exclude indirect taxation and prepayments.

2. Financial risk management - continued

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 limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the reporting date. The group's trade and other receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

Impairment of trade receivables (including contract assets)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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

2. Financial risk management - continued

On that basis, the loss allowance for the group as at 31 March 2019 and 1 April 2018 (upon adoption of IFRS 9) was determined as follows:

31 March 2019	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
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	1,527,649	952,887	626,497	273,496	2,299,603	5,680,132
Loss allowance (€)	**29,703**	**29,256**	**20,457**	**16,389**	**577,830**	**673,635**

1 April 2018	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
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	928,716	535,014	395,932	267,337	4,528,756	6,655,755
Loss allowance (€)	37,149	26,751	27,715	32,080	1,635,031	1,758,726

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 in Note 22.

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 2019 and 2018, the group’s past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the group’s trade receivables figures.

2. Financial risk management - continued

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 10). 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 to be recognised in the opening balance sheet on 1 April 2018 and as at 31 March 2019.

(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 19), other interest-bearing borrowings (Note 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the group within certain parameters. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above. Furthermore, after considering the financing options available (disclosed in Note 19) and the support from related parties and the shareholder, the directors are confident that the group and the company are in a position to meet commitments as and when they fall due.

2. Financial risk management - continued

The following table analyses the group's and the company's financial liabilities (excluding derivatives) 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 2019					
Bank borrowings	**1,097,028**	**885,735**	**2,524,346**	**7,550,895**	**12,058,004**
Bonds	**2,827,500**	**2,827,500**	**8,482,500**	**76,310,000**	**90,447,500**
Due to Government in relation to purchase of land	**1,429,571**	**1,429,571**	**8,973,241**	**165,675,366**	**177,507,749**
Trade and other payables	**17,461,395**	**-**	**-**	**-**	**17,461,395**
At 31 March 2018					
Bank borrowings	1,501,156	332,151	2,590,776	8,370,200	12,794,283
Bonds	2,827,500	2,827,500	8,482,500	79,137,500	93,275,000
Due to Government in relation to purchase of land	1,429,571	1,429,571	7,411,732	168,666,445	178,937,319
Trade and other payables	17,128,210	-	-	-	17,128,210

	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Company					
At 31 March 2019					
Loan advanced from subsidiary	**-**	**67,709**	**203,126**	**1,758,935**	**2,029,769**
Trade and other payables	**37,160,812**	**-**	**-**	**-**	**37,160,812**
At 31 March 2018					
Loan advanced from subsidiary	1,569	67,709	203,126	1,826,643	2,099,047
Trade and other payables	22,460,101	-	-	-	22,460,101

2. Financial risk management - continued

2.2 Capital risk management

The group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the parent company may issue new shares or adjust the amount of dividends paid to shareholders.

The group also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash at bank and in hand. Total capital is calculated as total equity, as described below, plus net debt. The aggregated figures in respect of the group are reflected in the following table:

	Group	
	2019	2018
	€	€
Total external borrowings	**73,298,713**	73,749,365
Less: cash at bank and in hand	**(11,004,457)**	(9,602,044)
Net debt	**62,294,256**	64,147,321
Equity – as shown in the consolidated statement of financial position	**132,581,807**	63,770,696
Net amounts owed (by)/to ultimate shareholder	**(59,166)**	241,461
Total equity	**132,522,641**	64,012,157
Total capital	**194,816,897**	128,159,478
Net debt/total capital	**32%**	50%

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

Financial instruments not carried at fair value

At 31 March 2019 and 2018 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and short-term borrowings, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current payables and bank borrowings at floating interest rates as at the reporting date is not significantly different from the carrying amounts. 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 19 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Note 4 to the financial statements, the group's land and buildings category of property, plant and equipment is fair valued periodically by the directors on 31 March on the basis of professional advice, which considers current market prices in an active market for all properties.

4. Property, plant and equipment

Group

	Land & buildings €	Assets in course of construction and payments on account €	Computer equipment €	Furniture, fixtures & fittings €	Motor vehicles €	Plant, machinery & operational equipment €	Audio visual equipment €	Total €
At 31 March 2017								
Cost or valuation	90,521,948	726,081	314,387	50,676,992	694,494	12,233,949	78,803	155,246,654
Accumulated depreciation	(525,911)	-	(311,344)	(15,505,617)	(441,137)	(4,672,991)	(73,935)	(21,530,935)
Net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Year ended 31 March 2018								
Opening net book amount	89,996,037	726,081	3,043	35,171,375	253,357	7,560,958	4,868	133,715,719
Additions	318,229	1,845,050	16,105	2,096,468	108,839	1,268,895	-	5,653,586
Commissioned assets	-	(271,201)	-	271,201	-	-	-	-
Disposals	-	-	-	-	(117,073)	-	-	(117,073)
Depreciation charge	(526,894)	-	(10,129)	(4,866,864)	(97,261)	(994,308)	(2,033)	(6,497,489)
Depreciation release on disposals	-	-	-	-	93,221	-	-	93,221
Closing net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964
At 31 March 2018								
Cost or valuation	90,840,177	2,299,930	330,492	53,044,661	686,260	13,502,844	78,803	160,783,167
Accumulated depreciation	(1,052,805)	-	(321,473)	(20,372,481)	(445,177)	(5,667,299)	(75,968)	(27,935,203)
Net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964

4. Property, plant and equipment - continued

	Land & buildings €	Assets in course of construction and payments on account €	Computer equipment €	Furniture, Fixtures & fittings €	Motor vehicles €	Plant, machinery & operational equipment €	Audio visual equipment €	Total €
Year ended 31 March 2019								
Opening net book amount	89,787,372	2,299,930	9,019	32,672,180	241,083	7,835,545	2,835	132,847,964
Additions	733,158	3,327,331	17,476	1,230,182	38,048	65,588	-	5,411,783
Revaluation surplus (Note 14)	74,118,293	-	-	-	-	-	-	74,118,293
Commissioned assets	727,918	(4,068,818)	58,932	1,313,731	-	1,968,237	-	-
Disposals	-	-	(41,469)	(694,255)	(45,870)	(755,750)	-	(1,537,344)
Depreciation charge	(601,560)	-	(23,534)	(5,219,328)	(88,875)	(1,231,341)	(2,034)	(7,166,672)
Depreciation release on disposals	-	-	41,469	694,255	41,870	755,750	-	1,533,344
Closing net book amount	**164,765,181**	**1,558,443**	**61,893**	**29,996,765**	**186,256**	**8,638,029**	**801**	**205,207,368**
At 31 March 2019								
Cost or valuation	166,419,546	1,558,443	365,431	54,894,319	678,438	14,780,919	78,803	238,775,899
Accumulated depreciation	(1,654,365)	-	(303,538)	(24,897,554)	(492,182)	(6,142,890)	(78,002)	(33,568,531)
Net book amount	**164,765,181**	**1,558,443**	**61,893**	**29,996,765**	**186,256**	**8,638,029**	**801**	**205,207,368**

4. Property, plant and equipment - continued

Bank borrowings in the name of group undertakings are secured on the group's land and buildings (refer to Note 19).

Fair valuation of property

The principal elements of the group's land and buildings, within property, plant and equipment were last revalued on 31 March 2019 by an independent professionally qualified valuer. The book value of the properties has 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 14).

Any remaining property has not been revalued since acquisition or initial recognition and following an assessment by the directors on the fair value of these properties at 31 March 2019 and 2018, the fair values were deemed to fairly approximate the carrying amounts.

The Group's and company's policy is to revalue land and buildings at least every three years.

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.

4. Property, plant and equipment - continued

Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by third party qualified valuers. 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 information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective group undertaking's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment performed by the third party property valuer. The officers report to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 March 2019 have been performed using the discounted cash flow, being the valuation technique considered by the external valuer to be the most appropriate for the group's properties. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs used are generally those described below:

- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the hotels, but prior to depreciation and financing charges.
Growth rate	based on management's estimated average growth of the respective company's EBITDA levels, mainly determined by projected growth in income streams.
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

4. Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2019

Description by class based on highest and best use	Fair value as at year end €000	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	**163,200**	DCF approach	EBITDA	€8,900,000 to €11,300,000
			Growth rate	2% per annum
			Discount rate	8.0% to 8.5% (post-tax)

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 March 2018

Description by class based on highest and best use	Fair value as at year end €000	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	**88,600**	DCF approach	EBITDA	€6,700,000 to €9,500,000
			Growth rate	2% to 2.25% per annum
			Discount rate	7.9% to 10.8% (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 2019 and 2018, 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:

	2019 €	2018 €
Cost	**69,488,988**	68,027,912
Accumulated depreciation	**(4,226,979)**	(3,625,419)
Net book amount	**65,262,009**	64,402,493

5. Investment property

	Group	
	2019	2018
	€	€
Year ended 31 March		
Opening cost and carrying amount	**65,500,697**	60,140,267
Additions resulting from subsequent expenditure	**6,052,933**	5,360,430
Closing cost and carrying amount	**71,553,630**	65,500,697

The group's investment property represents property title in the name of DB San Gorg Property Limited, a wholly owned subsidiary of the parent company. DB San Gorg Property Limited entered into a 99 year concession agreement with the Government of Malta and the Government Property Department on 1 February 2017 for the acquisition of three portions of land having a total surface area of circa 23,975sqm. The said land is located in St Julian's. This property, subject to the securing of all necessary development permits, is earmarked as a mixed use development encompassing a five star hotel, residential tower, shopping mall, large underground car park and other amenities to complement the project. DB San Gorg Property Limited is still in the process of obtaining related definitive permits for development from the Planning Authority.

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

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land and related project. The additions, disclosed in the table above, also include capitalised borrowings costs of €1,727,714 (2018: €1,717,770) mainly representing the imputed interest component on the amounts due to the Government (refer to Note 18) and other capitalised interest costs of €412,112 (2018: €118,556). A weighted average capitalisation rate of 3.5% (2018: 3.5%) was utilised in this respect.

As at 31 March 2019 and 2018, following an assessment by the directors, the fair value of the property is deemed to fairly approximate its carrying amount.

In April 2018, DB San Gorg Property Limited (a subsidiary of SD Holdings Limited) entered into a promise of temporary emphyteutical concession agreement with DB Gauci Shopping Mall Limited (an associate of the db Group), with respect to the development of the shopping mall, the related car park spaces and related amenities that form part of the project described above. Such agreement is in accordance with the obligations entered into with the Government of Malta in the 99 year concession agreement referred to in Note 18.

6. Intangible assets

	Group 2019 €	2018 €
Franchise license rights		
Year ended 31 March		
Opening net book amount	**486,060**	727,826
Additions	**43,368**	-
Amortisation charge	**(241,820)**	(241,766)
Closing net book amount	**287,608**	486,060
At 31 March		
Cost	**3,008,634**	2,965,266
Accumulated amortisation	**(2,721,026)**	(2,479,206)
Net book amount	**287,608**	486,060

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 2019 €	2018 €
Year ended 31 March		
Opening cost and carrying amount	**17,022,572**	16,522,812
Additions	**11,986**	500,000
Capital contribution for the year	**18,878,183**	-
Derecognition upon merger	**-**	(240)
Closing cost and carrying amount	**35,912,741**	17,022,572

During 2019, the company entered into a contractual arrangement with db San Gorg Property Limited to transfer advances amounting to €18.8 million to capital contribution reserve within the equity of the subsidiary (refer to Note 10).

7. Investments in subsidiaries - continued

The principal subsidiaries at 31 March, whose results and financial position affected the figures of the group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held 2019**	**2018**
DB Catering & Events Ltd (in dissolution)	San Antonio Hotel and Spa Triq it-Turisti, St. Paul's Bay, Malta	Ordinary shares	**100%**	100%
DB San Gorg Property Limited	Seabank Hotel, Marfa Road, 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, M ellieha, 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%

7. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2019	2018
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	**100%**	100%
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares Preference shares (refer to Note 17)	**100%** **100%**	100% 100%
Silverstars Boat Chartering Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	**100%**	100%
Debar Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	**100%**	100%

The shareholdings in DB Catering & Events Ltd, Seabank Hotel and Catering Limited and Silverstars Boat Chartering Limited are held directly by SD Holdings Limited. The shareholding in Hotel San Antonio Limited is held equally between SD Holdings Limited and Seabank Hotel and Catering Limited. The shareholdings in J.D. Catering Limited, S.R.G.N. Company Limited and Sea Port Franchising Limited are held through Seabank Hotel and Catering Limited, whilst the shareholdings in Evergreen Travel Limited and SA Marketing Company Limited are held through Hotel San Antonio Limited.

8. Investments in associates

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Year ended 31 March				
Opening carrying amount	**6,163,760**	5,251,745	**900**	900
Additions	**4,500**	-	**4,500**	-
Share of results	**1,588,966**	912,015	**-**	-
Closing carrying amount	**7,757,226**	6,163,760	**5,400**	900
At 31 March				
Cost	**1,680,263**	1,675,763	**5,400**	900
Share of results and reserves	**6,076,963**	4,487,997	**-**	-
Closing carrying amount	**7,757,226**	6,163,760	**5,400**	900

8. **Investments in associates** – continued

The group's share of results of the associates, disclosed above and in profit or loss, is after tax and non-controlling interest in the associates. The principal associates at 31 March, whose results and financial position affected the figures of the group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2019	2018
DP Road Construction Limited	Sea Bank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary A shares	**45%**	45%
Malta Healthcare Caterers Limited Limited	BLB 009Y, Bulebel, Industrial Estate, Zejtun, Malta	Ordinary shares	**50%**	50%
Porto Azzurro Limited	Ridott Street, Xemxija Hill, St.Paul's Bay,Malta	Ordinary shares	**33.3%**	33.3%
Porto Azzurro Resort Club Limited	Porto Azurro Limited, Ridott Street, Xemxija Hill, St.Paul's Bay,Malta	Ordinary shares	**33.3%**	33.3%
Sky Gourmet Malta Inflight Services Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%
Sky Gourmet Malta Limited	James Confectionery, Velleran Street, Fgura, Malta	Ordinary shares	**30%**	30%
DB Gauci Shopping Mall Limited	Big Bon, Head office, Santa Tereza Square, off Naxxar Road Birkirkara Malta	Ordinary shares	**45%**	-

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

8. Investments in associates – continued

Disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities'

The principal and significant associates of the group are Malta Healthcare Caterers Limited and Sky Gourmet Malta Limited. The main activities of the Malta Healthcare Caterers Limited Group, is the provision of healthcare catering services to hospitals and retirement homes, together with the provision of nursing, medical and clinical services; whilst Sky Gourmet Malta Limited's principal activity is the provision of catering and commissary services to airlines operating from Malta. These investments provide strategic partnerships for the group within business sectors which are targeted by the group for diversification or consolidation purposes. The principal places of business for both associates are based in Malta.

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

The statutory financial year end for the Malta Healthcare Caterers Limited Group is 31 December and accordingly the financial information made available to shareholders relates to the financial year ended 31 December 2018. Accordingly, the consolidated financial statements of Malta Healthcare Caterers Limited used in applying the equity method are attributable to the financial year ended 31 December 2018, which year end is different from that of the reporting entity.

Set out below are the summarised financial information of the group's principal associates, as presented in the respective financial statements.

Summarised balance sheets

	Malta Healthcare Caterers Limited		**Sky Gourmet Malta Limited**	
	As at 31 December		**As at 31 March**	
	2018	2017	**2019**	2018
	€	€	**€**	€
Non-current assets	**11,698,071**	2,437,759	**326,562**	489,915
Current assets	**30,544,541**	23,627,744	**3,812,269**	2,834,476
Non-current liabilities	**(7,984,542)**	(77,812)	**(52,699)**	(67,261)
Current liabilities	**(25,560,419)**	(20,431,478)	**(2,084,997)**	(1,531,780)
Net assets	**8,697,651**	5,556,213	**2,001,135**	1,725,350

8. Investments in associates - continued

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

Summarised statements of comprehensive income

	Malta Healthcare Caterers Limited		**Sky Gourmet Malta Limited**	
	Year ended 31 December		**Year ended 31 March**	
	2018	2017	**2019**	2018
	€	€	**€**	€
Revenue	**56,471,929**	42,353,932	**6,796,826**	7,220,849
Profit/(loss) for the year - total comprehensive income	**2,931,967**	1,344,293	**275,785**	598,501

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**
2019	**€**	**€**	**€**	**€**
Porto Azzurro Limited	910,812	(572,219)	520,300	36,198
Sky Gourmet Malta Inflight Services Limited	129,321	(1,794)	352,358	4,049
2018				
Porto Azzurro Limited	956,020	(653,625)	468,601	54,732
Sky Gourmet Malta Inflight Services Limited	125,819	(2,342)	474,707	5,586

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

9. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%, with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, i.e. tax effect of 10%.

	Group	
	2019	2018
	€	€
Year ended 31 March		
At beginning of year - as originally reported	**(2,609,143)**	887,818
Impact upon adoption of IFRS 9 on 1 April 2018	**539,611**	-
At beginning of year - as restated	**(2,069,532)**	887,818
Credited/(charged) to profit or loss (Note 26):		
Utilised tax credits	**(3,385,046)**	(3,086,616)
Temporary differences on intra-group transactions	**9,266**	9,266
Temporary differences on property, plant and equipment and provisions for impairment of trade receivables	**(451,871)**	(400,912)
Charged to other comprehensive income (Note 15):		
Deferred tax on revaluation surplus on land and buildings arising during the year (Note 14)	**(14,997,674)**	-
Tax effect of re-measurement of derivatives	**-**	(18,699)
At end of year	**(20,894,857)**	(2,609,143)

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.

9. Deferred taxation - continued

The balance at 31 March represents:

	Group 2019 €	2018 €
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**-**	316,313
Unabsorbed tax losses	**-**	791,852
Investment tax credits	**3,253,774**	5,530,655
Taxable temporary differences arising from depreciation of property, plant and equipment	**(5,528,474)**	(5,456,386)
Taxable temporary differences arising from revaluation of property, plant and equipment	**(17,796,788)**	(2,799,114)
Taxable temporary differences arising from intra-group transactions	**(108,757)**	(118,023)
Deductible temporary differences arising from derivative instruments	**-**	-
Deductible temporary differences on provisions for impairment of trade receivables	**235,772**	75,944
Deferred taxation arising on transfer of property on acquisition of subsidiary	**(950,384)**	(950,384)
	(20,894,857)	(2,609,143)
Disclosed as follows:		
Deferred tax assets	**1,363,394**	4,024,124
Deferred tax liabilities	**(22,258,251)**	(6,633,267)
	(20,894,857)	(2,609,143)

10. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Other receivables	**75,000**	-	**-**	-
Current				
Trade receivables	**5,680,132**	6,655,755	**-**	-
Less: loss allowances	**(673,635)**	(216,981)	**-**	-
	5,006,497	6,438,774	**-**	-
Advance payments to suppliers	**7,568,831**	126,312	**-**	-
Finance lease receivable (net of unearned finance income)	**-**	97,383	**-**	-
Amounts owed by shareholder	**59,166**	-	**430,064**	508,257
Amounts owed by subsidiaries	**-**	-	**62,886**	7,974,329
Amounts owed by associates	**2,480,042**	1,679,381	**1,742,523**	446,098
Amounts owed by other related parties	**113,871**	95,985	**-**	-
Other receivables	**1,581,468**	754,860	**-**	-
Indirect taxation	**580,927**	346,954	**3,556**	2,023
Prepayments	**703,753**	511,003	**-**	-
	18,094,555	10,050,652	**2,239,029**	8,930,707

Amounts owed by related parties are unsecured interest free and repayable on demand.

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 2018, the company's amounts owed by subsidiaries included an amount of €7,799,011 owed by db San Gorg Property Limited. During the current year such amounts increased to €18,878,183 and on 31 March 2019 it was converted to capital contribution (refer to Note 7).

In prior years, a group undertaking entered into a finance lease arrangement in prior years with the group's shareholder, whereby the contractual terms essentially transfer all risks and rewards incidental to ownership of the related asset. This arrangement does not include significant unguaranteed residual values accruing to the benefit of the lessor. The group's gross receivables from the finance lease at the end of the preceding reporting period are analysed as follows:

	Group
	2018
	€
Gross finance lease receivables:	
Not later than one year	97,383
Unearned future finance income	-
Net investment in finance leases	97,383

Amounts receivable from the lease debtor were subject to an effective interest rate of 1%.

11. Inventories

	Group	
	2019	2018
	€	€
Food and beverage	**696,747**	579,264
Merchandise	**323,303**	472,325
Other goods for resale	**1,507**	20,821
Consumables and other inventory	**198,051**	134,694
	1,219,608	1,207,104

12. Cash and cash equivalents

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**11,004,457**	9,602,044	**4,450,162**	1,955,735
Bank overdrafts (Note 19)	**(595,177)**	(1,149,351)	**-**	-
	10,409,280	8,452,693	**4,450,162**	1,955,735

13. Share capital

	Company	
	2019	2018
	€	€
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

14. Revaluation reserve

	Group	
	2019	2018
	€	€
Year ended 31 March		
At beginning of year	**22,585,765**	22,585,765
Revaluation surplus on land and buildings arising during the year (Note 4)	**74,118,293**	-
Deferred tax on revaluation surplus on land and buildings arising during the year (Note 9)	**(14,997,674)**	-
	81,706,384	22,585,765

The revaluation reserve is non-distributable.

15. Hedging reserve

In prior years, a group undertaking entered into interest rate swap derivative financial instruments to mitigate the variability of floating interest payments. Such instruments matured during the preceding financial year. The related fair values of cash flow hedges were recorded in a hedging reserve, in a separate category of equity, as shown below:

Interest rate swaps	**Group**
	2018
	€
At 1 April	
Gross amounts of losses	53,426
Deferred income tax	(18,699)
	34,727
Movements in year ended 31 March	
Net losses from changes in fair value	(10)
Deferred income tax	3
	(7)
Reclassified to profit or loss	(53,416)
Deferred income tax	18,696
	(34,720)
At 31 March	
Gross amounts of losses	-
Deferred income tax	-
	-

The tax impacts relating to this component of other comprehensive income are presented in the above table.

The net fair value losses as at the end of a reporting period on open interest rate swap agreements which hedge anticipated future interest rate fluctuations will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to one year from the end of the reporting period.

16. Other reserves

	Group	
	2019	2018
	€	€
Capital redemption reserve	**11,628,279**	11,628,279
Incentives and benefits reserve	**1,301,885**	1,301,885
	12,930,164	12,930,164

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 (refer to Note 17).

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. Non-controlling interest

	Group	
	2019	2018
	€	€
At beginning of year	**-**	9,552,805
Redemption of non-cumulative preference shares of a subsidiary attributable to non-controlling interest	**-**	(9,552,805)
At end of year	**-**	-

As at 1 April 2017, non-controlling interest represented only the carrying amount of non-cumulative redeemable preference shares of a subsidiary, which have been fully redeemed during 2018.

18. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€		**€**	
Non-current				
Due to Government in relation to purchase of land	**48,947,198**	48,649,057	**-**	-
Deferred income arising on long term rights of use sales	**10,985,349**	9,949,156	**-**	-
	59,932,547	58,598,213	**-**	-
Current				
Trade payables	**5,277,534**	4,917,478		4,317
Due to Government in relation to purchase of land	**1,429,571**	1,429,571	**-**	-
Payables and accruals with respect to capital expenditure	**1,220,322**	2,052,653	**-**	-
Contract liabilities - Advance deposits from tour operators and other third parties	**8,018,583**	8,939,694	**-**	-
Amounts owed to shareholder	**-**	241,461	**-**	-
Amounts owed to subsidiaries	**-**	-	**36,262,695**	21,888,752
Amounts owed to associates	**3,883,507**	3,535,333	**-**	-
Amounts owed to other related parties	**1,305,222**	-	**891,518**	565,632
Other payables	**936,667**	918,220	**49**	100
Indirect taxation and social security	**653,649**	488,168	**-**	-
Accrued interest payable to bond holders	**2,641,582**	2,641,582	**-**	-
Other accruals	**1,716,627**	1,762,243	**6,550**	1,300
	27,083,264	26,926,403	**37,160,812**	22,460,101

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

The maturity of this liability is as follows:

	Group	
	2019	2018
	€	€
Due within 1 year	**1,429,571**	1,429,571
Due between 1 and 2 years	**1,429,571**	1,429,571
Due between 2 and 5 years	**8,973,241**	7,411,732
Due after more than 5 years	**165,675,366**	168,666,445
	177,507,749	178,937,319
Less: imputed interest component	**(127,130,979)**	(128,858,692)
	50,376,770	50,078,627

18. Trade and other payables - continued

The group's other payables as at 31 March 2018 included advances from suppliers amounting to €310,048, which were to be set-off against discounts allowed by the same suppliers on the basis of predetermined purchase levels.

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 (2018: €1,488,101) owed by a subsidiary to the parent company which are subject to interest at 4.8% (2018: 4.7%). All the other amounts are interest free.

19. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Bank loans	**8,303,770**	8,303,770	**-**	-
Loan from subsidiary	**-**	-	**1,488,101**	1,488,101
650,000 4.35% Bonds 2017 - 2027	**64,231,846**	64,152,312	**-**	-
	72,535,616	72,456,082	**1,488,101**	1,488,101
Current				
Bank overdrafts	**595,177**	1,149,351	**-**	-
Bank loans	**167,920**	143,932	**-**	-
	763,097	1,293,283	**-**	-
Total borrowings	**73,298,713**	73,749,365	**1,488,101**	1,488,101

Bonds

By virtue of an offering memorandum dated 27 March 2017, SD Finance plc (the Issuer) issued €65,000,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.35% which is payable annually in arrears, on 25 April of each year. The bonds are redeemable at par and are due for redemption on 25 April 2027. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price as at 31 March 2019 and 2018 for the bonds was €103, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the current and the preceding reporting periods, bonds with a face value of €500,000 were held by a company director.

19. Borrowings - continued

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 17), 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:

	2019	2018
	€	€
Original face value of bonds issued	**65,000,000**	65,000,000
Bond issue costs	**(924,036)**	(924,036)
Accumulated amortisation	**155,882**	79,348
Closing net book amount of bond issue costs	**(768,154)**	(847,688)
Amortised cost and closing carrying amount of the bonds	**64,231,846**	64,152,312

Bank borrowings

The group's and the company's banking facilities as at 31 March 2019 amounted to €86,093,431 (2018: €86,093,431) and €500,000 (2018: €500,000) respectively. The group's bank facilities are mainly secured by:

(a) special hypothecs over the group's property up to an amount of €85,100,000;
(b) general hypothecs over the group's present and future assets up to an amount of €85,950,000;
(c) guarantees given by the shareholder;
(d) pledges over specific insurance policies of group undertakings;
(e) pledges over the shareholder's life insurance policies;
(f) letters of undertaking.

The interest rate exposure of the bank borrowings is at floating rates.

The weighted average effective interest rates for bank borrowings as at the end of the financial reporting period are as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
Bank overdrafts	**5.3%**	4.2%	**-**	-
Bank loans	**4.0%**	3.5%	**-**	-

19. Borrowings - continued

Maturity of non-current bank borrowings:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Between 1 and 2 years	**553,584**	-	**-**	-
Between 2 and 5 years	**1,660,754**	1,660,754	**-**	-
Over 5 years	**6,089,432**	6,643,016	**-**	-
	8,303,770	8,303,770	**-**	-

Loan from subsidiary

The company's non-current loans from subsidiary amounting to €1,488,101 consist of advances from SD Finance plc, out of the proceeds of the bonds issued by the same company. The proceeds of the bond issue have been advanced to SD Holdings Limited and other companies forming part of the db Group. SD Holdings Limited utilised these advances primarily for re-financing its existing banking facilities. These loans are subject to interest at a fixed interest rate of 4.55%, with an additional renewal fee, which shall be charged on the loans at a floating rate at the discretion of the directors of the Issuer. As at the end of the current reporting period, the element of the floating rate interest was 0.25% (2018: 0.19%). The loans are unsecured and repayable by not later than 10 April 2027.

20. Deferred government grants

	Group	
	2019	2018
	€	€
At beginning of the year	**23,283**	32,104
Credited to profit or loss:		
- Annual amortisation related to assets (Note 22)	**(8,821)**	(8,821)
At end of year	**14,462**	23,283
At 31 March		
Non-current	**9,641**	14,462
Current	**4,821**	8,821
At end of year	**14,462**	23,283

21. Revenue

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
By category				
Hospitality and ancillary services	**39,483,497**	36,052,424	**-**	-
Food and beverage	**12,672,863**	9,313,767	**-**	-
Merchandise and other retailing activities	**2,301,641**	4,158,341	**-**	-
Other revenue	**1,663,128**	734,151	**-**	-
	56,121,129	50,258,683	**-**	-

22. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Employee benefit expense (Note 23)	**11,443,248**	10,296,465	**-**	-
Amortisation of intangible assets (Note 6)	**241,820**	241,766	**-**	-
Depreciation of property, plant and equipment (Note 4)	**7,166,672**	6,497,489	**-**	-
Movement in credit loss allowances	**(1,085,091)**	216,981	**-**	-
Utilities and similar charges	**1,635,190**	1,774,980	**-**	-
Operating supplies and related expenses	**10,006,205**	9,761,786	**-**	-
Repairs and maintenance costs	**3,409,206**	2,584,065	**-**	-
Marketing, advertising costs and commissions	**1,369,276**	1,045,394	**-**	-
Franchise royalties	**479,813**	442,262	**-**	-
Operating lease rentals - property	**587,426**	556,334	**-**	-
Ground rents payable	**6,198**	6,198	**-**	-
Other expenses	**3,786,184**	3,194,757	**17,750**	16,677
Total cost of sales, selling and administrative expenses (including movement in credit loss allowances)	**39,046,147**	36,618,477	**17,750**	16,677

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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Annual statutory audit				
- parent company auditors	**55,500**	55,500	**1,050**	1,050
- other auditors	**20,000**	18,250	**-**	-
Tax advisory and compliance services				
- parent company auditors	**6,650**	4,275	**365**	365
Other non-audit services				
- parent company auditors	**21,800**	5,500	**5,500**	5,500
- other auditors	**1,525**	1,351	**-**	-
	105,475	84,876	**6,915**	6,915

23. Employee benefit expense

	Group	
	2019	2018
	€	€
Wages and salaries (including directors' remuneration)	**10,557,781**	9,396,925
Social security costs	**841,542**	813,908
	11,399,323	10,210,833
Recharged from associates	**43,925**	85,632
	11,443,248	10,296,465

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

	Group	
	2019	2018
Direct	**570**	514
Administration	**70**	86
	640	600

24. Other operating income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Amortisation of deferred Government grants (Note 20)	**8,821**	8,821	**-**	-
Operating lease income	**291,807**	247,983	**-**	-
Other income	**60,361**	59,796	**14,457**	-
	360,989	316,600	**14,457**	-

25. Finance income and finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Finance income				
Interest on amounts owed by subsidiary	**-**	-	**68,344**	73,173
Finance income arising from finance lease arrangement	**-**	3,320	**-**	-
Finance income arising from short-term deposits	**14,524**	2,820	**-**	1,955
	14,524	6,140	**68,344**	75,128

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Finance costs				
Bond interest expense	**2,907,034**	2,717,930	**-**	-
Interest on bank borrowings and other loans	**3,507**	631,608	**635**	7,273
Interest on loan from subsidiary	**-**	-	**67,709**	66,140
Other finance charges	**33,403**	144,560	**-**	-
	2,943,944	3,494,098	**68,344**	73,413

26. Tax expense

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current taxation	**1,575,240**	311,625	**-**	201
Deferred taxation (Note 9)	**3,827,651**	3,478,262	**-**	-
Tax expense	**5,402,891**	3,789,887	**-**	201

26. **Tax expense** - continued

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit/(loss) before tax	**16,095,517**	11,380,863	**(3,293)**	(14,962)
Tax on profit/(loss) at 35%	**5,633,431**	3,983,302	**(1,152)**	(5,237)
Tax effect of:				
Share of results of associates	**(556,138)**	(319,205)		-
Expenses not deductible for tax purposes	**167,756**	160,556	**1,152**	5,438
Income not subject to tax or charged at reduced rates	**(2,544)**	(4,492)	**-**	-
Unrecognised temporary differences and unutilised tax credits	**115,472**	(4,463)	**-**	-
Other differences	**44,914**	(25,811)	**-**	-
Tax charge in the accounts	**5,402,891**	3,789,887	**-**	201

27. **Directors' remuneration**

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Salaries and other emoluments	**282,155**	210,710	**-**	-

28. Cash generated from operations

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit/(loss)	**17,435,971**	13,956,806	**(3,293)**	(14,722)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**7,166,672**	6,497,489	**-**	-
Amortisation of intangible assets (Note 6)	**241,817**	241,766	**-**	-
Amortisation of deferred Government grants (Note 20)	**(8,821)**	(8,821)	**-**	-
Gain on disposal of property, plant and equipment	**500**	(26,148)	**-**	-
Movement in credit loss allowances	**(1,085,091)**	216,981	**-**	-
Changes in working capital:				
Inventories	**(12,504)**	(41,713)	**-**	-
Trade and other receivables	**(1,252,867)**	(1,667,870)	**(12,186,505)**	(7,371,888)
Trade and other payables	**2,323,526**	286,596	**14,700,711**	7,853,449
Cash generated from operations	**24,809,203**	19,455,086	**2,510,913**	466,839

Net debt reconciliation

Other than as disclosed in Note 19 'Borrowings', with respect to the amortisation of bond issue costs, all the movements in the group's and the company's net debt mainly relate only to cash flow movements and disclosed as part of the financing activities in the statement of cash flow on page 15.

29. Commitments

Capital commitments

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

	Group	
	2019	2018
	€	€
Authorised but not contracted for	**2,378,000**	5,000,000
Contracted but not provided	**1,087,000**	-
	3,465,000	5,000,000

29. Commitments - continued

Operating lease commitments – where group undertakings act as lessee

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

	Group	
	2019	2018
	€	€
Less than one year	**512,442**	106,737
Between one and five years	**1,863,525**	308,856
More than five years	**2,472,607**	2,408,353
	4,848,574	2,823,946

Operating lease payments mainly represent rentals payable by group undertakings for property concessions.

Operating lease commitments – where a group undertaking is a lessor

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

	Group	
	2019	2018
	€	€
Less than one year	**247,807**	247,983

Operating lease receivables relate to property concessions.

30. Contingencies

At 31 March 2019, the group's and the company's major contingent liabilities were:

(a) Undertakings given by the parent company to provide the necessary financial support to group undertakings 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.

(b) Uncalled share capital amounting to €5,590 (2018: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2018: €1,920) relating to shares subscribed in subsidiaries by the parent company.

(c) Guarantees of up to a maximum of €60,106 (2018: €60,106) issued by a group undertaking to various third parties for a beach concession.

(d) Guarantees of €118,650 (2018: €118,650) issued by the group's bankers, on behalf of group undertakings in favour of the Planning Authority, in the ordinary course of business.

30. Contingencies - continued

(e) Guarantees given by the parent company in respect of bank facilities of group undertakings for an amount of €68,100,000 (2018: 68,100,000), together with other guarantees for an amount of €17,000,000 (2018: €17,000,000) given by the company jointly with other group undertakings in respect of bank facilities of a subsidiary.

(f) Guarantees given by a group undertaking in respect of bank facilities of an associate for an amount of €3,650,000 (2018: €3,650,000).

(g) Guarantees and performance bond amounting to €250,000 (2018: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.

31. Related party transactions

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

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

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

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

Except for transactions disclosed or referred to previously, no further significant operating transactions have a material effect on the operating results and financial position of the group and the company.

Year-end balances with related parties are disclosed in Notes 10, 18 and 19 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprise the directors of the parent company and the directors of the other group undertakings. Key management personnel compensation, consisting of the parent directors' remuneration has been disclosed in Note 27.

33. Statutory information

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