

RECOVERY THROUGH  
**GROWTH**



**db** GROUP

ANNUAL REPORT **2022**

# OUR MISSION



## **ONE WORD WHICH...**

IS THE ESSENCE OF SUCCESS OF OUR BUSINESS.

ALWAYS REMINDS US OF HOW WE GOT HERE.

HAS GUIDED US FOR THREE DECADES.

INSPIRES ALL OUR NEW VENTURES.

DISTINGUISHES US FROM OTHERS.

EXPLAINS OUR STAYING POWER.

DEFINES WHO WE ARE.

IS OUR FUTURE.



## **EXCELLENCE**

06	CHAIRMAN'S INTRODUCTION
08	CEO'S REPORT
12	THE EXECUTIVE TEAM
14	GROUP BACKGROUND
16	KEY MILESTONES ACHIEVED DURING THE YEAR
30	FINANCIAL HIGHLIGHTS
32	MOVING FORWARD
34	MALTA COUNTRY PROFILE
60	HOSPITALITY & LEISURE
90	HARD ROCK CAFÉ MALTA
94	STARBUCKS MALTA
98	AMAMI, BLU BEACH CLUB & WESTREME
102	NINE LIVES
106	AKI
114	HEALTHCARE
120	CONTRACT CATERING
126	PROPERTY DEVELOPMENT
132	ESG AND CORPORATE SUSTAINABILITY
142	CONSOLIDATED FINANCIAL STATEMENTS

# table of content



# CHAIRMAN'S INTRODUCTION



*Conformity is the jailer of freedom and the enemy of growth.*



*John F. Kennedy, 35th president of the United States of America*

## It's in our Group's DNA.

When the invisibility of the COVID-19 virus hit the planet in 2019 and visibly changed, well, everything, some private enterprises were stunned into commercial paralysis. Others kept frantically shifting gears hoping to hit the right one, and yet others expected their challenges to be addressed by others or left them in the hands of fate.

Not us. We took a step back and went about things differently. We knew that it was once again time for us to do what we do best - veer off the beaten path in search of how best to flip a challenge into an opportunity.

In 2019 we sculpted a vision for the long haul. We wanted it to capture in real time the full force of the challenges posed by the pandemic *and* to approach them with a sense of judgment, calm yet courageous.

So which path did we choose? Our starting point was that the day when the pandemic would run its course had to come sooner or later. Our job was to prepare for its dawn. We wanted to be on our marks, set and ready to go when it did.

To follow this path, we had to take a gamble few were prepared to take. As the virus essentially shut down the tourism sector, others chose to shed their staff, minimise costs and refrain from taking risks, particularly with new ventures.

We marched to the beat of a completely different drummer. Since 2019 we opted to grow rather than retrench, took new initiatives and risks, and explored new market angles.

In financial terms, this path meant that as revenues dwindled due to the pandemic, our investments did not abate, and in some cases even grew. Normally, such a scenario is to be avoided and could have been ruinous.

Yet we thought differently. Having full faith in this country's attraction as a destination, in its resilience and the resourcefulness of its people, we forged ahead and took risks to prepare to be ready for normality and better days.

Consequently, at the peak of the pandemic, including during the current financial year, we inaugurated new restaurants, planned others and opened more franchised outlets. In addition, we embarked on a range of other initiatives intended to bear fruit in the future.

With all this experience behind us, we do not plan to change tack. Looking forward, we will not allow the negative effect of the wars on our sector to weaken our resolve to invest in our country.

Clearly, we keep choosing this difficult path because we could in the past and we can today. The Group's financials were and remain rock solid as this report attests. It is on these foundations that we are able to strike out on our very own path once again.

## Recovery through growth.

**SILVIO DEBONO**  
Chairman & Managing Director

Silvio Debono is the db Group's Founder, Chairman and Managing Director. He has been in the catering industry since the early eighties. From a single small guesthouse, he has built the largest leisure industry group in Malta.





# CEO'S REPORT

This was the year of recovery from the unprecedented economic downturn precipitated by the pandemic. Recovery did not catch us off guard. Planning a recovery in the face of uncertainty and many unknown factors, was no mean task. Yet we planned meticulously for the day when the business trajectory presented positive signs over the horizon.

Recovery was bound to come sooner or later and so we did not leave our approach to it to chance. From the pandemic's inception, we had put our shoulders to the grindstone, made substantial financial sacrifices and took high risks to be able to move forward swiftly from the get-go to recovery. Happily, our approach worked, and we did not have to manage recovery on the hoof.

We got to this point by standing our ground on the db Group's fundamentals. For starters, we continued to believe that our people are our strength. When the entire tourism sector was practically shut down, we retained all our staff, regardless of the considerable cost. We bit this bullet for two full years in order to be up and running when the sector opened up again.

Being loyal to our people delivered its reward. Although an unknown quantity at the time, this move smartly anticipated the human resources issues which today are plaguing the industry. We have also experienced our fair share of this new phenomena but the fact that all staff who decided to stay with us through thick and thin were retained, helped us achieve a swift recovery from an operational standpoint post pandemic.

Putting this key point in chronological perspective, April to June 2021 were recovery months for the entire tourism sector. Hotel occupancy increased significantly as Malta started to open to tourists, hitting in excess of 60% in July, almost 90% in August and exceeding 90% in September. Invariably, subsequent seasonality and pandemic spikes brought these figures down.

The strategy of staff retention has been a determining factor in being able to operate our hotels, having over 950 rooms, and running them at 90% occupancy. In parallel, AARRs hit the €116 mark, compared to around €128 pre-COVID times. This represents a manageable decrease of 10% in room rates, which all things put into perspective, was a better result than our basis of estimates coming out of the pandemic.

Widening the financial palette, total EBITDA for the financial year ending 31st March 2022 amounted to €20m when compared to €25.6m achieved during the 2019 financial year (excluding the healthcare division).

Tellingly, while most economists predicted that companies would achieve 50% of their pre-COVID EBITDA, we managed a commendable 78% level of pre-COVID EBITDA. Concurrently, the price of our bond remained strong throughout the year, fluctuating between €103 to €99 between April and November 2021. Share of profits from healthcare increased substantially from €2.2m last year to €4.5m this year.

Factoring in the substantial increase in profits from the entertainment side of business fuelled part of the profit recovery plan. The positive financial performance generated by AKI - which made it to the Michelin Guide - and the opening of an additional four Starbucks outlets all helped in the overall recovery plan. Indeed, overall restaurant revenues overtook pre-COVID numbers.

Be bold when the going is tough and challenging. True to this statement, the Group continued with its planned growth and investment during the tumultuous times of the pandemic. Some may have hedged their bets and became risk averse - we forged ahead and invested in new ventures, restaurants and franchise outlets.



It is not the first time we're taking this road. During the global financial crisis, which hit the world economy during 2008 and 2009, we invested large amounts to build hotel extensions and undertook refurbishment programs of the Group's mainstream properties, the db Seabank Resort & Spa and the db San Antonio Hotel.

The third pillar in our strategic goals is the creation of opportunities. I use the word 'creation' rather than 'taking' because it makes all the difference. Maybe for some, the time of the pandemic translated only into challenges. We viewed this time as a new era for untapped opportunities. Choosing creatively in a judicious and determined mindset, we took the plunge and ventured beyond our comfort zone, taking on board new initiatives. Clearly, this road led to our go-to financial destination.

The future beckons. Although it is evident that we are still not out of the woods yet, we remain confident of continuing on the solid road of recovery with a positive trajectory in our key numbers pushing us to new heights.

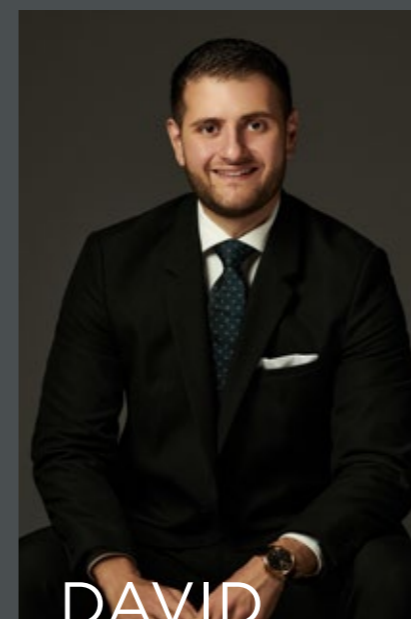


**ROBERT DEBONO**  
CEO

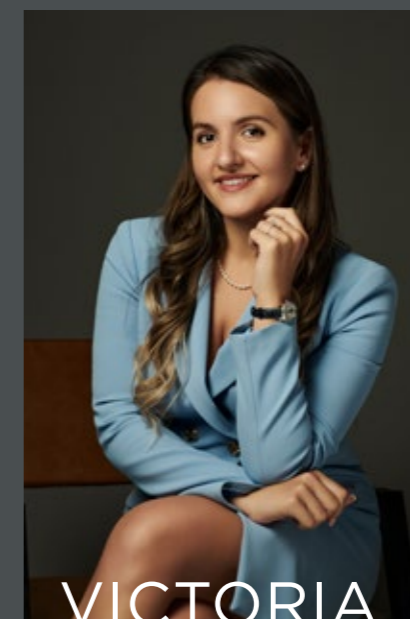
Robert Debono, is db Group's CEO. He read for a Bachelor of Commerce Degree, specialising in Business Management at the University of Malta. He started his journey with the Group seven years ago in the finance department of Healthmark, a subsidiary of the Group, joining the team to foster its growth. More recently, Robert gave a strong input to the drive to open a wide range of restaurants and to implement an extensive refurbishment and maintenance programme. He also charted the Group's course through the COVID-19 pandemic and the subsequent recovery.



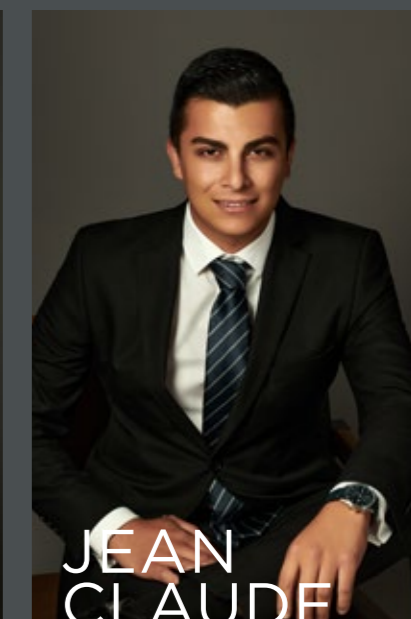
# the executive team



DAVID  
DEBONO  
**DIRECTOR**



VICTORIA  
DEBONO  
**DIRECTOR**



JÉAN  
CLAUDE  
FENECH  
**CFO**



SILVIO  
DEBONO  
**CHAIRMAN**



ROBERT  
DEBONO  
**DIRECTOR/CEO**



JESMOND  
VELLA  
**DIRECTOR/COO**



RAY  
BEZZINA  
**DIRECTOR**



ALAN  
DEBONO  
**DIRECTOR**



ARTHUR  
GAUCI  
**DIRECTOR**



# Group Background

IN THE 1980S, SILVIO DEBONO, THE GROUP'S FOUNDER, OPERATED A SMALL GUESTHOUSE. TODAY, AS DB GROUP CHAIRMAN, HE SITS AT THE HELM OF THE LARGEST HOSPITALITY OPERATION IN MALTA.

OVER THE LAST FOUR DECADES THE GROUP HAS FORGED STRATEGIC RELATIONSHIPS WITH A RANGE OF GLOBAL PLAYERS INCLUDING HARD ROCK CAFÉ INTERNATIONAL, STARBUCKS, THE ACCOR HOTEL GROUP, AND RIU HOTELS & RESORTS. IN THE PROCESS, WE HAVE ACQUIRED INVALUABLE BUSINESS ACUMEN AND OPERATIONAL EXPERIENCE.

THIS TRACK RECORD HAS ENABLED US TO ESTABLISH OUR VERY OWN UNIQUE BRAND, DB HOTELS + RESORTS, DRIVEN BY THE FUNDAMENTAL PRINCIPLE OF EXCELLENCE IN EVERYTHING WE DO. YEAR-ON-YEAR, THE GROUP WON SEVERAL PRESTIGIOUS GLOBAL AWARDS, POSITIONING IT AT THE FOREFRONT OF THE MALTESE HOSPITALITY AND CATERING INDUSTRY.

IN DUE COURSE, AND PRUDENTLY, THE GROUP DIVERSIFIED ITS CORE OPERATIONS, TAKING IN CONTRACT CATERING, HEALTHCARE, AND PROPERTY DEVELOPMENT UNDER ITS WING.



# Key MILESTONES

## ACHIEVED DURING THE FINANCIAL YEAR

During the financial year (FY) spanning 1 April 2021 to 31 March 2022, the db Group, including its associates, continued to demonstrate solid resilience in the face of the significant challenges precipitated by the pandemic and its aftermath. In the second year of disruption the Group and all its staff continued to work as a team to deliver excellence in every sector it operates in.

As the industries severely impacted by COVID-19 restrictions continue to recover, in FY22 the Group showed signs of recovery, with the Group's revenue increasing to €40.36 million, representing a 134% increase over FY21. The EBIDTA for FY22 increased by €18.8 million over FY21, highlighting the Group's strong recovery and growth over the previous financial year.

Notwithstanding two years of notable challenges, the Group continued with its growth strategy. During this financial year, we reached several milestones, a few of which are highlighted below.



### Opening of the new Melior Boutique Hotel

Situated in the heart of Valletta, the 18-room Melior Boutique Hotel opened its doors in January 2022 alongside the on-site Starbucks Reserve Bar. We were in the midst of some of the most turbulent pandemic times, indeed during a significant resurgence of COVID-19.

This move may have seemed unusual to most but showcased yet again the powerful strategic vision - choosing to grow rather than retrench when the going gets tough.

The Melior Boutique Hotel is situated at 300, Republic Street, Valletta, one of the busiest streets in Valletta, frequented by a large number of tourists in Malta. db Group made a significant investment to renovate the building which embraces Maltese culture and heritage and was carefully designed to complement the existing architecture and embrace the original characteristics of the building.





## Opening of four new Starbucks outlets

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

Despite the challenges brought about by the pandemic, the Group continued to invest in the Starbucks brand. Not only did the outlets continue to hold their head above water during an acutely disruptive year, but the Group persevered with the store roll-out plan, opening four new outlets.

In June 2021, db Group took almost immediate advantage of the easing of government restrictions by opening our fifth Starbucks outlet on the Sliema Strand, one of the busiest localities in Malta. In December 2021, db Group yet again proved its investment vigour, opening the sixth outlet at one of the largest shopping centres, PAMA in Mosta, followed by the opening of Malta's first ever Starbucks Reserve Bar, located in the heart of the Capital; Valletta. The Reserve Bar was inspired by the Arriviamo Bar in the Milan Roastery. It embodies the tradition of the Italian aperitivo and a mixology bar in addition to the staple Starbucks offerings. In February 2022, another outlet was opened in Mellieħa, marking the 8th in the country and the fourth of the financial year.

From March 2022 to date, three new outlets have been rolled out - a Starbucks kiosk in Bugibba (April), an outlet at the University of Malta (June) with its 11,300 students and at the The Quad Business Centre (July). Plans are in place for an additional seven outlets to be opened in the near future across Malta and Gozo.



## AKI earns recognition from the prestigious Michelin guide

Situated on the corner of Strait Street and Santa Lucia Street in Valletta, AKI opened its doors in 2020 and has been incredibly well received by both locals and tourists. The unique, high-quality experience was officially recognised just two years after the restaurant opened, when it was added to the 2022 Michelin guide, a prestigious recognition of a high-quality experience by a globally-recognised international body. This award yet again highlights the Group's excellent, world-class offer.



# Continued growth in our restaurant portfolio

Despite government restrictions and the consequent commercial havoc wreaked by the pandemic, the db Group, typically, did not flinch. The Group continued to open a range of new restaurants, all of which have been welcomed by clients, as the figures attest.

## LOA

Opened in April 2022, that is after the current financial year end, LOA is a South American restaurant and lounge bar, showcasing the best Nuevo Latino cuisine and fusing traditional Latin flavours with some of the latest global culinary trends.

It was yet another of db Group's bold and pioneering moves, introducing a modern, trendy restaurant in this popular tourist destination currently experiencing substantial transformation.

In just months, it has become one of the country's sophisticated go-to places for both locals and tourists. It operates at almost full capacity on weekends and enjoys solid customer feedback.



## Sonora

Sonora bar and restaurant opened its doors in March 2022. It is located on the grounds of the Sirens Aquatic Club in St. Paul's Bay, which is within walking distance of the popular tourist resorts of Buğibba and Qawra. It offers an enjoyable dining experience with an international touch.

Through a substantial investment by our Group, Sonora made a significant contribution to the ambiance and aesthetics of the newly renovated Sirens Water Polo Club.

## Amami Food Bar

In July 2022 the db Group has yet again proved its understanding of the local food and entertainment market by introducing the Amami Food Bar. Nestled in the newly developed Campus Hub frequented by thousands of students, it is the sister restaurant of Amami. Designed and operated with today's student lifestyle and their tight schedule in mind, the Amami Food Bar offers a unique experience, including an ambient working space along with a fast, on-the-go service, that students can make use of between classes.

To date, the Amami Food Bar has been received well. A significant increase in customers is expected once the academic year kicks off.







# Hotel upgrades and renovations

When pandemic-related restrictions were introduced the db Group experienced a drop in occupancy rates.

Yet once again we saw it as an opportunity rather than a challenge. We embraced the opportunity to invest in a programme of renovations. Knowing that the pandemic would eventually come to an end, we upgraded in anticipation.

## Salia and Saboroso Comida Latina at the db San Antonio Hotel and Spa, St. Paul's Bay

Early in 2020, the db San Antonio Hotel + Spa launched Salia, a new Italian restaurant brand.

During the second round of COVID-19 related restrictions, the Group continued to make additional renovations, using the period of reduced demand to rejuvenate the overall guest experience. We also introduced the first Latin American inspired restaurant - Saboroso- Comida Latina. The all-inclusive buffet includes some of the best hand-picked Latin America dishes, combining flavours from Mexico to Brazil.





### Second outlet of Salia at db Seabank Resort and Spa, Mellieħa

A similar philosophy drove changes at the db Seabank Resort + Spa. With substantial investments during the period of low demand, a complete rebranding of the former Tramun Taghna restaurant was carried out, turning it into the second outlet of the well-received Salia restaurant brand. It sports a reimagined décor, giving it its own character within the Salia brand.

Salia at the db Seabank Resort + Spa opened its doors in June 2022, with the Mellieħa bay as its backdrop. It has become one of the seven themed restaurants on offer at the hotel.



### Levant at db Seabank Resort and Spa, Mellieħa

During the same period in which the Salia restaurant renovations were taking place, the Group remained hard at work, investing in a second restaurant renewal at the same location. In June 2022 Levant, a Middle Eastern restaurant opened its doors, at the db Seabank Resort + Spa, offering a myriad of delicacies with flavours from Turkey, Lebanon, Iran and other Arab cuisines.



# Recovering from the COVID-19 challenges, with a focus on growth

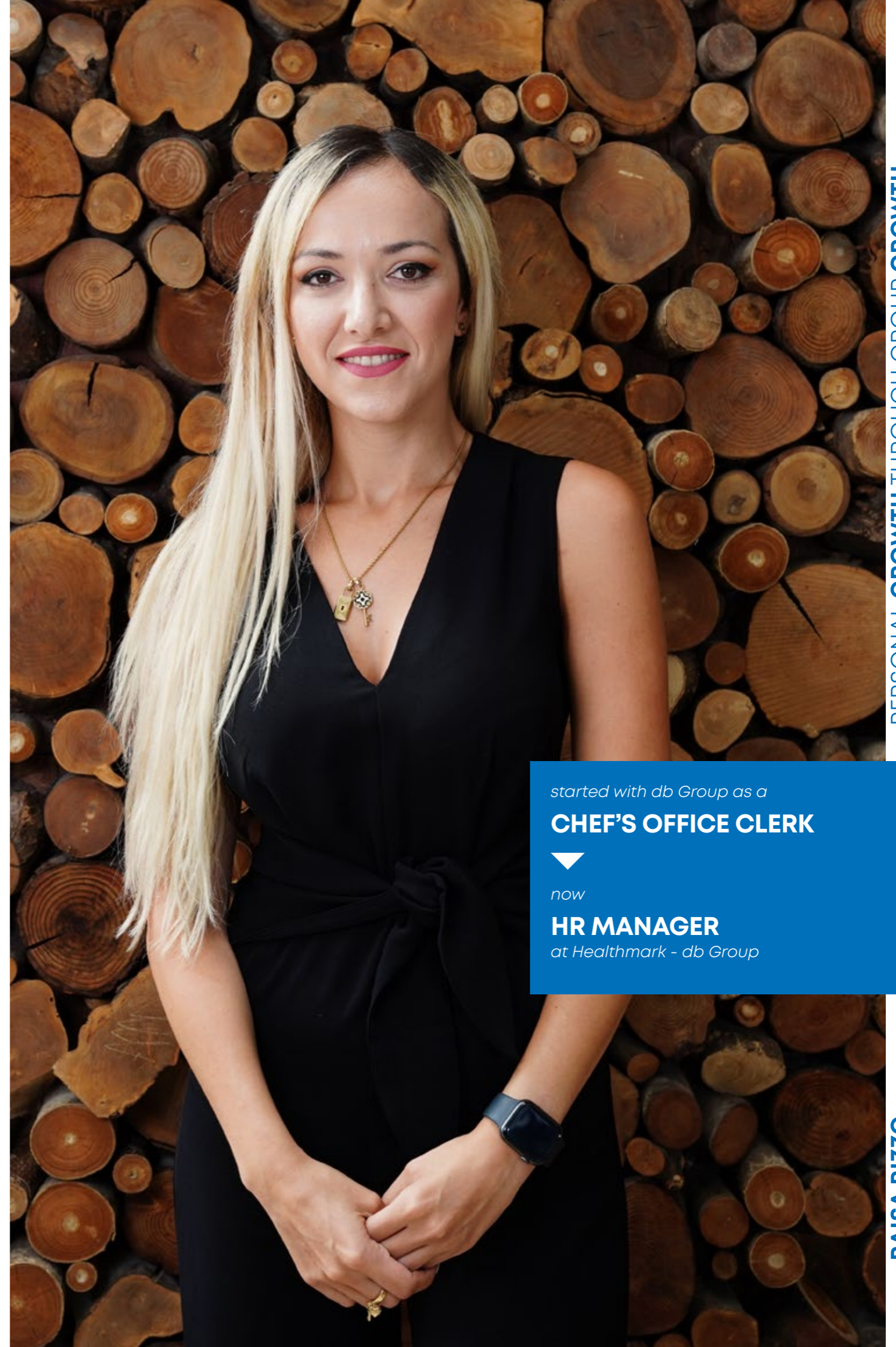
Throughout the pandemic and the enormous challenges and sharp drop in demand it precipitated, db Group persevered with its growth vision.

Despite the protracted period of uncertainty we adopted a unique strategic approach and mindset, choosing growth as opposed to minimising risk and expenditure as the way forward. Our approach evidenced long-standing experience in and deep knowledge of the local hospitality and leisure industry. It also reflected our strong financial standing. The Group retained its full staff complement during the turbulent months which allowed operations to hit the ground running the moment restrictions were lifted.

The milestones reached during this financial year (FY22) clearly evidence the Group's resilience, restored operational capacity and improved financial results.

In FY22, the Group's revenue increased by 134% from €17.25 million in FY21 to €40.36 million in FY22. The EBITDA for FY22 continued to show the Group's positive financial position, registering a significant increase from €5.63m in FY21, to €24.43m in FY22.

For the upcoming financial year, db Group already has several projects in the pipeline, with plans for a new restaurant in the heart of Mellieħa well underway, the opening of additional franchised outlets across Malta and Gozo, and exciting new opportunities that will result in the db Group expanding operations overseas.



started with db Group as a  
**CHEF'S OFFICE CLERK**



now

**HR MANAGER**

at Healthmark - db Group

PERSONAL GROWTH THROUGH GROUP GROWTH

RAISA RIZZO






**HOSPITALITY**

db Seabank Resort + Spa

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db San Antonio Hotel + Spa

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Porto Azzurro Hotel

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The Melior Boutique Hotel



**LEISURE**

Hard Rock Café Malta

---

Starbucks

---

Adeera Complex:  
Amami, Blu Beach, & Westreme

---

Nine Lives Beach Club

---

AKI

---

Sonora

---

LOA

---

Amami Food Bar

---

Eventful



**PROPERTY DEVELOPMENT**

db San Gorg Property

---

Kika Construction Company

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Siar Property Investments

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The Ghadira Property Investments<sup>1</sup>



**HEALTHCARE**

Healthmark Care Services

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Health Services Group

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Support Services

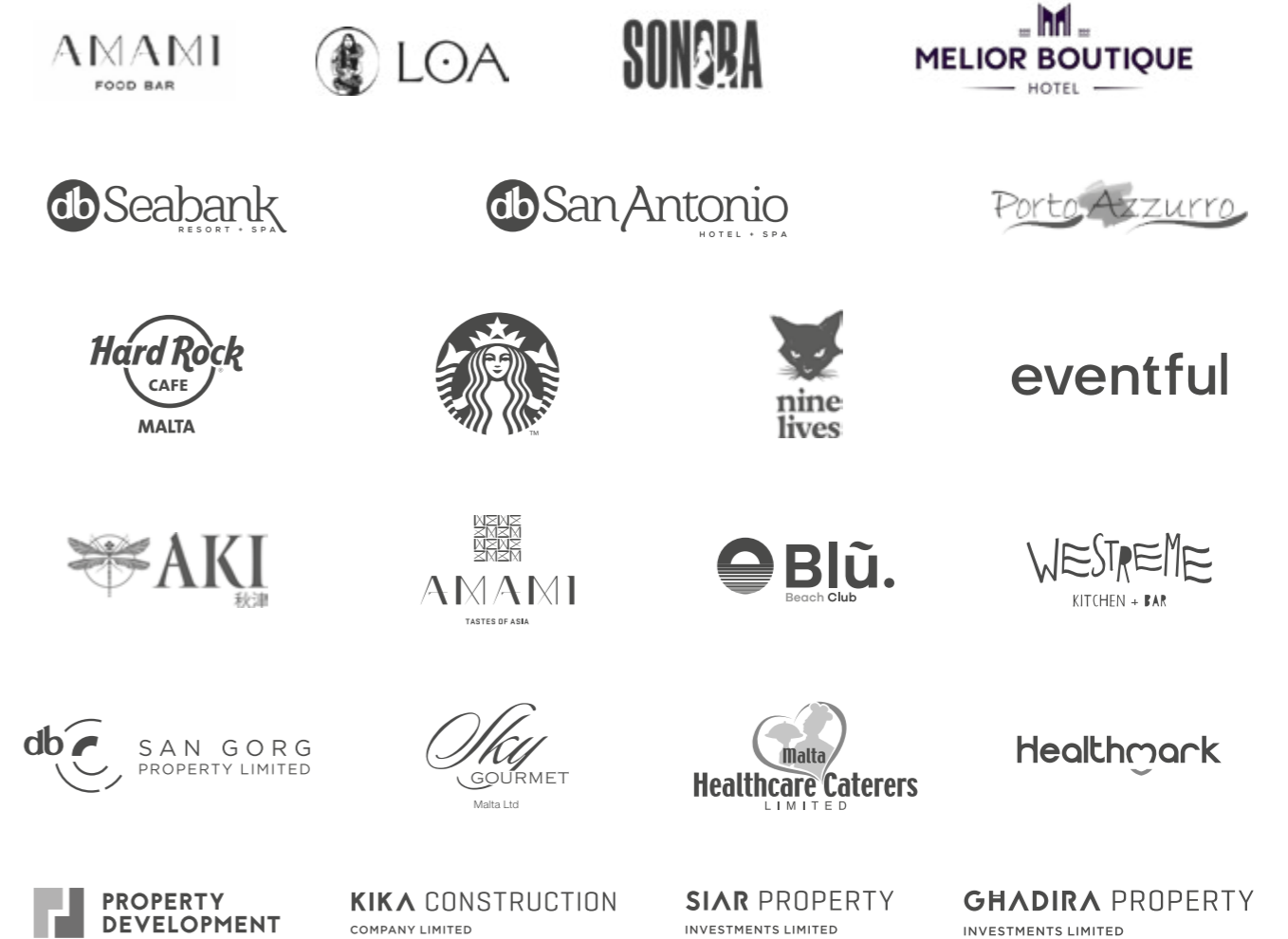


**CONTRACT CATERING**

Sky Gourmet Malta

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Malta Healthcare Caterers



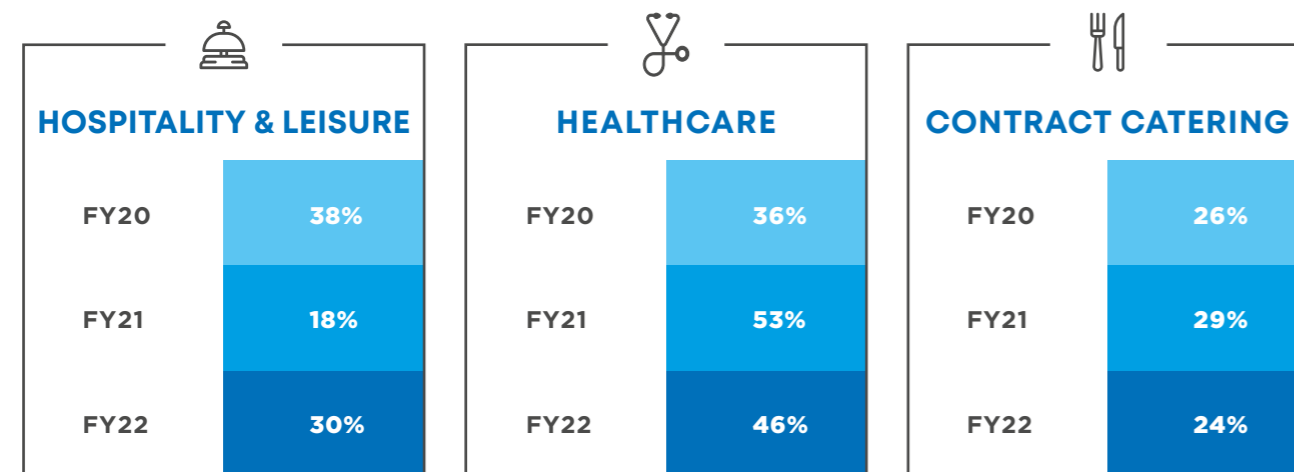
<sup>1</sup> The Ghadira Property Investments venture does not form part of the db Group

# Financial HIGHLIGHTS

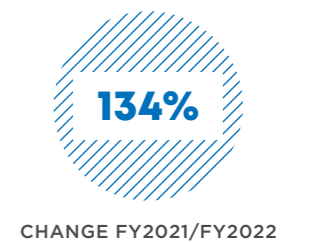
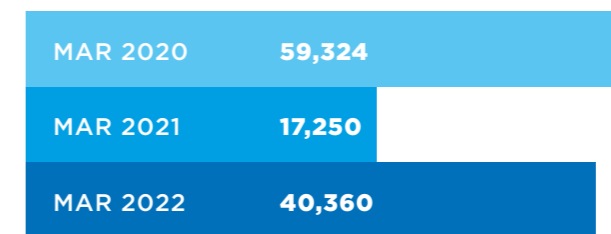
With 3,500 beds the db Group is the largest local hotel operator. The Group's full head count including its subsidiaries and associated companies is 3,260.

## Group revenue including by individual associates for the year ending 31 March 2022

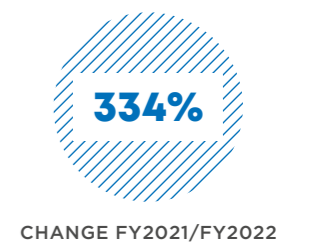
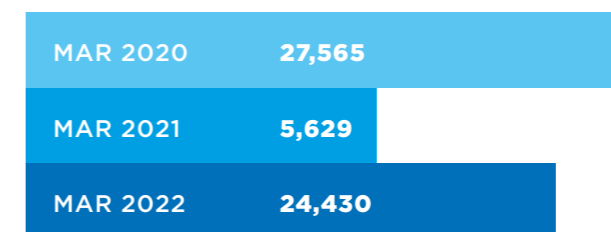
Clearly, the revenue split across the different operational segments of the db Group was impacted by the pandemic, with the hospitality and leisure one being the worst hit. It accounted for 30% of FY22 revenue compared to 38% at the end of FY20.



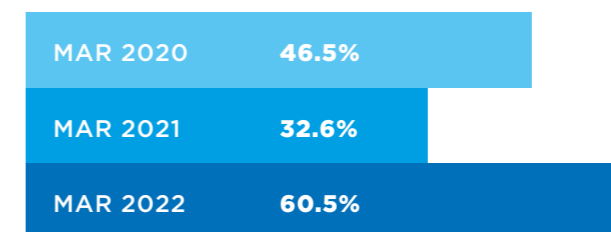
### REVENUE (€000s)



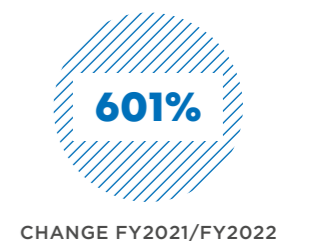
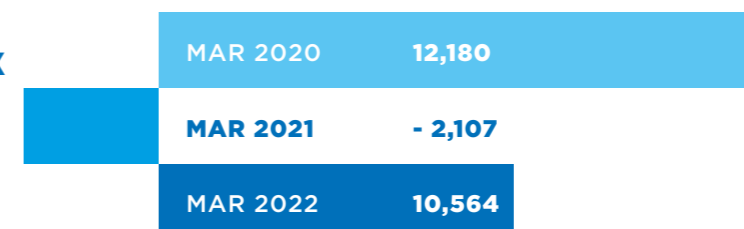
### EBITDA (€000s)



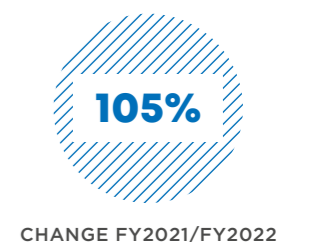
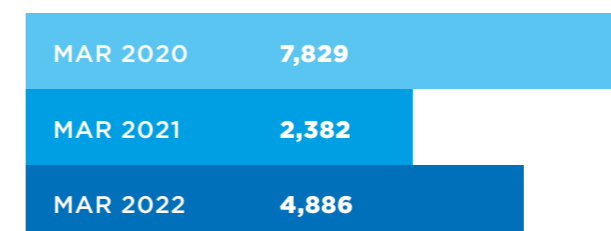
### EBITDA MARGIN (€000s)



### PROFIT AFTER TAX (€000s)



### CAPITAL EXPENDITURE (€000s)



# Moving FORWARD

## A vision for further sustained growth

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

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

The Group also remains committed to continue growing its contract catering and healthcare segments, which have enabled the Group to balance the significant impact that the pandemic has had on the leisure and hospitality segment.

### db City Centre and Hard Rock Hotel

Going forward, the projected db City Centre which will include a Hard Rock Hotel targets the 5-star sector through a unique, iconic and innovative project.

The Group plans to invest around €250 million in the db City Centre project, making it one of the largest private investments made by a single local operator in Malta's history. This project will be pivotal to boost the local economy during the post COVID-19 recovery period. In fact, a study carried out by the Group, estimates that once complete, the db City Centre will create an additional 1,200 jobs. Furthermore, around 1,500 full timers will be required on site during the construction phase. An Economic Impact Assessment commissioned by the Group projects that the db City Centre will generate around €490 million in government revenue in the first decade of operations.

As the db Group has done from the inception of this proposed project, all procedures, regulations, laws and court decisions will be fully abided by.

### Expanding the coverage of Starbucks outlets across Malta

Following the successful opening of four new outlets in FY22, the Group remains committed to growing the Starbucks brand in Malta further. Another seven new outlets in prime locations are planned to come on stream in the next 12 months. The first three already are open - a Starbucks kiosk in Bugibba (April 2022), an outlet at Campus Hub of the University of Malta (June 2022) and another at the The Quad Business Centre (July 2022). Other outlets will be opened in localities such as Gzira, Naxxar and Gozo. These outlets and their associated investment showcase the Group's commitment towards growing the Group's business despite the challenging economic climate created by the pandemic.

### Growth in the restaurant portfolio

In the coming year, the Group will continue to invest to keep its momentum and footprint in the local restaurant sector. Plans are well underway for us to open a new restaurant revolving around an innovative concept in the heart of Mellieħa.

### Growth in the healthcare service offering

The Group's operations in the healthcare sector is expected to expand as it has done in these two years. Our clear mission is to deliver high quality and agile support services to a range of government and private entities. Testament to this is our recruitment of an additional 250 health professionals since 2021. The Group has also expanded the range of facilities and services it offers to the various areas of the health sector. In particular, the Group is committed to providing healthcare resources to support the public sector in their recovery from the pandemic.

### Growth beyond our shores

As db Group continues to grow its presence in the local market, the Group is also actively seeking opportunities to extend its business presence beyond the shores of Malta.

The Group is currently exploring investment opportunities in property developments outside of Malta. Such a bold strategic business decision to internationalise the business, will continue to fuel sustained growth for the Group, for years to come.




# Malta Key Facts

THE MALTESE ARCHIPELAGO IS SITUATED IN THE HEART OF THE MEDITERRANEAN AND IS DIRECTLY ACCESSIBLE BY PLANE AND SEA FROM MOST KEY EUROPEAN COMMERCIAL CENTRES, AS WELL AS NORTH AFRICA. THE COUNTRY ENJOYS LONG-STANDING POLITICAL STABILITY, A HIGH QUALITY OF LIFE, AND A RELATIVELY LOW COST OF LIVING.

## Malta's Country Profile


  
**VALLETTA**  
Capital City

  
**316KM<sup>2</sup>**  
Area


  
**200KM**  
Shoreline

  
**520,971**  
**PERSONS**  
Population

  
**300**  
Days of sunshine

  
**12°C** Winter  
**31°C** Summer  
Average temperature

  
**600MM**  
Annual rainfall

  
**1,648**  
**PERSONS**  
**PER KM<sup>2</sup>**  
Population Density  
Malta is the most densely populated EU nation and ninth worldwide

  
**EURO**  
Official currency

  
**+356**  
International dialling code

  
**MALTESE & ENGLISH**  
Official languages

  
**HIGH INTERNATIONAL CONNECTIVITY**

  
**GMT +1**  
Time zone



# Malta's Benchmark Rating

MEASURING MALTA'S PRODUCTS, SERVICES AND PROCESSES AGAINST OTHER  
COUNTRIES AT BOTH AN EU AND GLOBAL LEVEL

## SOVEREIGN RATINGS

**A+** (Fitch ratings)

**A2** (Moody's ratings)

**A-** (Standard & Poor's ratings)

**26<sup>th</sup>**

### PRODUCTIVITY

globally represented by the total volume of output (measured in terms of GDP) produced per unit of labour (measured in terms of the number of employed persons or hours worked)

**11<sup>th</sup>**

### HEALTH

overall global health ranking. Based on the health of the population and access to healthcare services.

**6<sup>th</sup>**

### ICT ADOPTION

out of 27 EU Member States. As per the 2021 edition of the Digital Economy and Society Index (DESI). The highest share of ICT graduates (6% of graduates in Malta, versus 3.9% in the EU).

**4<sup>th</sup>**

### UNEMPLOYMENT RATE

lowest in the EU and 29<sup>th</sup> globally. 91% of recent graduates are currently employed.

**14<sup>th</sup>**

### SKILLS

out of 27 EU member states. Malta ranks in the middle-achieving group, with a poor score in skill development, but the second highest in comparison to EU countries in the skills matching pillar.

**35%**

### CORPORATE TAX RATE

**27<sup>th</sup>**

### INNOVATION CAPABILITY

out of 132 economies. Based on criteria that include institutions, human capital and research, infrastructure, credit, investment, linkages; the creation, absorption and diffusion of knowledge; and creative outputs.

**77**

### DOUBLE TAXATION TREATIES



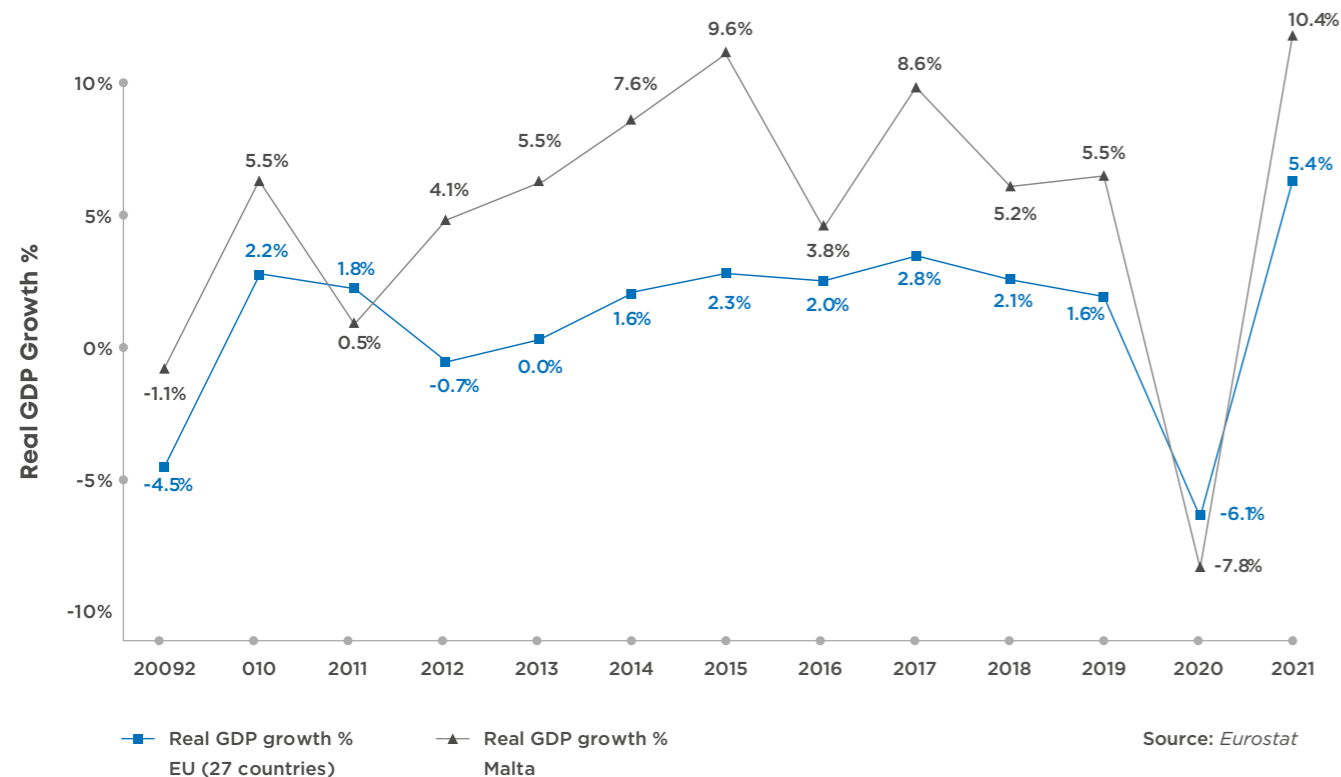
## Malta: The EU's smallest yet one of the fastest growing economies

Since Malta's accession to the EU in 2004, the country's opportunities and prospects expanded significantly. Between 2006 and 2019, Malta's real GDP increased from €6 billion to €12.5 billion, making it the third fastest growing economy in Europe following Ireland and Hungary. Post-pandemic, the latest real GDP figures reached €14.5 billion, making Malta the third-fastest continuously growing economy in Europe with a 10.4% annual growth rate.

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

In terms of real GDP growth, the Maltese economy has on average consistently outperformed the EU average since 2009, experiencing a brief dip in 2011. This growth has been driven by significant structural changes in the economy. The main service sectors contributing to growth over the past decade have been the value-added knowledge services, particularly financial services, ICT, gaming and other professional activities. In 2020, the COVID-19 crisis resulted in a Real GDP decrease of circa -8.3%, falling at a faster rate than the EU average of circa -5.9%. This was a result of government restrictions adopted to curb the spread of COVID-19 impacting some of the key economic sectors, particularly tourism and hospitality. However, in 2021, the Maltese economy recovered faster than previously predicted, evidencing a stable, high growth rate of 10.4%, which well above the EU recorded average for the same time period.

### Real GDP growth %. 2009-2021



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

Malta's strong economic growth has led to higher labour demand, resulting in record low unemployment levels. Labour demand substantially supersedes local supply, triggering a strong influx of foreigners as well as a significant growth in population – which reached 520,971 residents in 2021.

The size of the expat community increased exponentially from around 19,000 in 2009 to circa 108,000 in 2021. In 2021, 76,258 foreigners were in active employment. EU nationals made up 45% of total foreign employment, while 55% were third country or EFTA nationals.

## The COVID-19 pandemic in Malta

The COVID-19 pandemic has presented the world with unprecedented challenges. After more than two years of the first outbreak of the virus in Wuhan, China, the pandemic continued to cause havoc across the globe in terms of illness, fatalities and the global economic system. Malta was no exception, with a number of social restrictions limiting potential economic activity.

Nevertheless, the strength and quality of the Maltese healthcare system along with the community's resilience and vigilance were pivotal. Timely measures taken by the health authorities and the successful mass public vaccination campaign, meant that over the last 24 months the local community was only subject to semi-lockdown conditions coupled with a strong emphasis on allowing economic activity to continue albeit at significantly reduced levels.

### Government economic support measures

Following the initial response to the economic consequences of COVID-19, in 2021 the Maltese government continued to implement various measures to curb the spread as well as supporting businesses. The economic priority remained to help businesses manage liquidity pressures, protect jobs and provide financial aid to protect the most financially vulnerable. The government continued to offer wage supplements to businesses most affected by COVID-19. In an ongoing attempt to reduce new outbreaks, various restrictions were re-introduced over the 12-month period ending March 2022. These measures limited the capacity and operations of various businesses, with retail, catering, hospitality and entertainment businesses being the most impacted.

Over the reporting period, Malta continued to rollout its stellar vaccination programme. Simultaneously, government introduced additional restrictions for travellers who were not recently vaccinated. As expected, this measure restricted Malta's tourism market as prospective tourists without a valid vaccination certificate or COVID-19 pass, could not enter Malta without going through a mandatory quarantine period. By March 2022, however, Malta began to rapidly lift the remaining restrictions, a process which was completed in June 2022. As of April 2022, all COVID-19 restrictions in Malta ended, other than the mandatory wearing of facemasks in hospitals and in care homes.

Twice throughout the pandemic the Maltese government distributed vouchers to every resident in Malta aged 16 or above. Each €100 voucher had to be spent in hotels, accommodation, restaurants, bars and diving schools, retail outlets and services that were forced to close as a result of the pandemic. The goal was to provide an economic injection to aid the recovery of social and recreational service providers. The total public investment amounted to approximately €50 million.

## The impact of FATF Greylisting

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

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

Countries on the FATF 'greylist', are deemed to represent a much higher risk of money laundering and terrorism financing. Nevertheless FATF still recognised that the country is formally committed to working with them to develop action plans that will address their deficiencies. While on the greylist the government set in motion an action plan in tandem with FATF to improve its law enforcement and address their shortcomings.

As a result of their rigorous adherence to this action plan, and following an on-site visit, Malta was deemed to have achieved 'significant progress' and **the FATF officially removed our nation from the greylist in June 2022**, less than a year after it had been given the rating. Malta was found to have addressed the shortcomings identified by the FATF, including strategic anti-money laundering and tax evasion deficiencies, inadequate counter terrorism funding regulations, and unsatisfactory methods of sharing information with local and international authorities. In addition, the country's comprehensive improvements were fully acknowledged and FATF gave the all-clear for Malta to continue operating without the added scrutiny of the FATF.

In a survey conducted by the Malta Employers Association, 72% of companies reported that they experienced increased costs relating to government compliance over the past year. The most substantially impacted were the gaming, financial, insurance and professional services sectors. Malta's rapid response to the greylisting, however, meant that an adverse impact on the country and its financial system was, for the most part, avoided. More rigorous systems are now in place to ensure future compliance to avoid adverse practices.

FATF congratulated Malta for the significant progress it made in addressing the strategic AML/CFT deficiencies previously identified by the FATF and included in its action plan. Malta remains committed to working with FATF regional partner Moneyval, of which it is a member, to continue strengthening its AML/CFT regime.

## Business and economic impact of the war in Ukraine

The world continues to focus on the recent events in Ukraine and the devastating impact they have had on the people in that region. The situation has created pervasive uncertainty and heightened risk. The combination of the Russian government's invasion of Ukraine and the resultant sanctions imposed by national governments and supranational organisations—which are designed to inflict severe consequences on the Russian economy—are impacting business continuity, liquidity, and asset values in Ukraine and Russia as well as markets worldwide.

The invasion of Ukraine has had profound and immediate impacts on business operations in the conflict zone with significant reverberations on the global economy. The physical interruption of business operations has been compounded by economic sanctions imposed by national governments and supranational organisations, voluntary actions by businesses to cut ties with their Russian operations, and massive disruptions to commodity exports including oil, natural gas, and wheat.

The most pertinent issue arising from the war is the significant increase in commodity prices and the disruption of supply. Russia accounts for around 10% of global oil production and around 40% of Europe's natural gas imports. Moreover, Russia and Ukraine are also key producers of commodities destined for car batteries, food and fertiliser. This has had impacts on food and energy prices, which in turn triggered significant inflationary pressures around the world. Moreover, additional cost pressures are building up on industries that are reliant on Russian commodities.

Whilst Malta may not have a significant and direct reliance on Russian energy, it is indirectly exposed to the current state of this sector. We import most of our fuel and derivative products from Italy, who in turn are dependent on Russian gas imports to produce electricity. In the last three years, 26% of Malta's mineral fuels and oil products have been imported from Italy – our largest trading partner in this sector. Consequently, Malta's energy prices have remained relatively stable over the past year, largely due to the Government's influence in the local energy sector.

Russia and Ukraine are also key suppliers to the global food market. Both are agricultural powerhouses, responsible for a significant proportion of global food trade and other agricultural products such as fertiliser. Consequently, it is expected that as a result of the war in Ukraine food prices will continue to increase, contributing to further inflationary pressures. Currently, agricultural prices are at high levels, reflecting supply uncertainty and possible anticipation of future restrictions to Russia's and Ukraine's supply. Malta's direct exposure to food importation risk from Russia and Ukraine remains low at 0.9%. However, the indirect effects of importing from countries who have directly imported from Russia and Ukraine will be significant. The most exposed food category to import risk is that of 'products of the milling industry' where imports from Russia and Ukraine totalled 17.3% in 2021. This category includes wheat, cereal grains and flours, flour, malt, starches and wheat gluten. The majority of Malta's food imports are from Italy, the Netherlands and the UK. Food price inflation in Malta has been significant since 2020 and has picked up the pace in 2022, pulling overall headline inflation with it.

The war will add further upward pressure, the extent of which remains to be seen. Sanctions on Russia are envisaged to remain in place over the next 12 months with concomitant adverse effects on global trade and demand. Moreover, given Russia's and Ukraine's major roles in the supply of energy and non-energy commodities, the conflict is envisaged to exacerbate supply chain disruptions and add more pressure on commodity prices over the next 12 months.

Although there are very limited trade and financial links with the two countries, the Russia-Ukraine war is expected to have relatively limited direct effects on the Maltese economy. It will, potentially, have significant indirect effects. In particular, the conflict is expected to adversely affect Malta's economic growth due to weaker demand from Malta's main trading partners, as well as a result of higher uncertainty. In addition, the increase in commodity prices will exert significant upward pressure on the prices of imported consumer goods and domestic costs of production with additional adverse consequences on the manufacturing output and consumer expenditure.

## Economic outlook

The pandemic had a significant negative impact on the Maltese economy during 2020. Economic activity declined by -8.3% amidst government restrictions limiting economic activity, severe reductions in tourism, and global heightened uncertainty. Despite this, the Maltese economy has already been in the rebound from 2020. Indeed, in 2021, the economy recovered faster than expected, evidencing a stable, high growth rate of 10.4%. This is well above the EU recorded average for the same time period<sup>2</sup>. However, looking forward, this rebound in business confidence is likely to be hampered by the ongoing war between Ukraine and Russia.

The European Commission and the IMF have forecast that, through commodity markets, trade, and to a lesser extent financial interlinkages, the economic costs of the war will spread much farther than the countries directly involved. Forecasts indicate global growth slowing significantly, hindering the previously anticipated recovery. Based on current trends, the European Commission and the IMF have anticipated that Malta's economy will continue its recovery throughout the rest of 2022 and 2023, though at a reduced growth rate. Both institutions forecast a growth rate of 4.9%<sup>3</sup> and 4.8%<sup>4</sup> for 2022 and 3.8%<sup>5</sup> and 4.5%<sup>6</sup> respectively for 2023 in Malta. This still compares favourably to EU forecasts in the same period which are 2.7% and 2.8% for 2022 and 1.5% and 2.3% for 2023 respectively.

Source	Indicator	2022P	2023P	2024P
Central Bank of Malta	GDP Growth	5.4%	4.9%	3.8%
	Inflation	5.0%	2.9%	1.8%
European Commission	GDP Growth	4.9%	3.8%	N/A
	Inflation	5.6%	3.3%	N/A
IMF	GDP Growth	4.8%	4.5%	3.9%
	Inflation	4.7%	2.8%	2.1%

<sup>2</sup> NSO Gross Domestic Product: Q1 2022

<sup>3</sup> European Commission Summer 2022 Economic Forecast

<sup>4</sup> IMF REGIONAL ECONOMIC OUTLOOK

<sup>5</sup> European Commission Summer 2022 Economic Forecast

<sup>6</sup> IMF REGIONAL ECONOMIC OUTLOOK



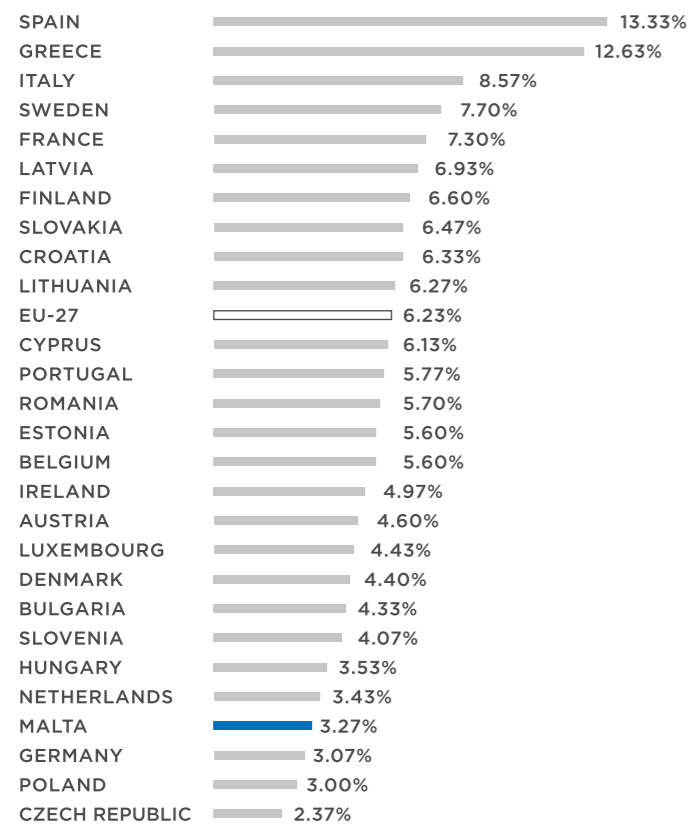


## Malta's Unemployment

In line with a rebound in economic activity, unemployment rates returned to the pre COVID-19 trend and reached historic lows by Q1 2022. This has led to a tighter labour market which the local workforce could not fully service. In turn, this revived another trend- the influx of foreign labour that has continued to significantly increase the local population as well as increase competition between employers. At the end of March 2022, the unemployment rate reached 3%, which was 0.8% lower than March 2021. It is projected that Malta's unemployment rate will remain relatively stable at around 3.5% as Malta continues to recover from the impact of COVID-19<sup>7</sup>.

As of Q1 2022, the EU-27 unemployment rate average (based on seasonally adjusted figures as a % of the total working population) was 6.2%, whereas the local unemployment rate stood at 3.27%. In this respect, Malta had the fourth lowest unemployment rate in the EU, with a rate only slightly higher than the Czech Republic, Poland and Germany. This reflects our strong position vis-à-vis other European jurisdictions<sup>8</sup>.

### Unemployment Rate - 2022 Q1



Source: Eurostat

<sup>7</sup> World Economic Outlook- War sets back the economy

<sup>8</sup> Eurostat Unemployment

## Malta's Residential Property Market

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

During the first quarter of 2022, the property market evidenced its resilience, registering a 6.7% rise in comparison to the corresponding quarter in 2021. Along with the recovery from the pandemic, the economic and population growth spiked demand in the local residential property market. This is reflected in the surge of transacted property volume and the residential property price index.

The main driver for the increase was the maisonettes price index which registered a 9.5% increase, followed by the apartments price index, with a 6.1% rise.

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



## Economic agility, diversification and stability

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

The choice of high-profile companies to invest in and move their operations to Malta is a strong indicator of the country's status as a profitable business hub. HSBC, Banif Bank, French maritime line CMA CGM, Microsoft, Lufthansa Technik, Playmobil and Toly amongst others, have all made Malta their business home.

The solid economic foundations put into place during this period of growth provided the Maltese government the tools to help sustain the economy and withstand the challenges posed by the pandemic. This solid foundation enabled a fairly rapid economic turnaround when restrictions were lifted, recovery kicked off in earnest.

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

### 1. Sustainable economic growth

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

### 2. High quality infrastructure and investment

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

### 3. Education and employment

To provide the necessary educational conditions for the acquisition of the necessary knowledge and skills to build the economy of the future, create high-quality and well-paying jobs, and ensure that Malta remains a natural home for global talent;

### 4. The environment

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

### 5. High standards of accountability, governance and rule of law

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

This long-term economic vision for Malta was set out to align itself with European priorities, facilitating the hooking up of national, sectoral and thematic strategies into available European Commission funding streams. Malta will be eligible for a total of €2.25 billion in EU funding through the Multiannual Financial Framework (MFF) over the period 2021-2027, which will provide:

- €934 million for Cohesion Policy;
- €327 million for COVID-19 stimulus;
- €276 million for Migration, Borders, Security, Education and Fisheries;
- €316 million for Recovery & Resilience, Single Market and European Values;
- €191 million for Agriculture; and
- €162 million for Strategic Investment, Research and Innovation and the Environment.

The €316.4 million Recovery and Resilience Fund (RRF) will be provided to Malta in the form of grants. The funds will be used to enable Malta to respond to the critical need to foster recovery from the pandemic and make Malta future ready. The Recovery and Resilience plan involves 17 investments and 30 reforms, with 54% of the plan supporting climate objectives and 26%, for digital transitioning. These funds are therefore ring-fenced for the purpose of greening and digitising the economy. Hence, the bulk of Malta's allocation will go towards ensuring a healthy and vibrant future for the island, based upon improving the environment, infrastructure, education, employment and carbon neutrality.

To continue the positive trajectory embarked on after the removal of Malta from the FATF greylist, a key driver of Malta's future economic growth is to continue to nurture the health and growth of Malta's financial sector in a sustainable manner, whilst adhering to the highest levels of good governance.

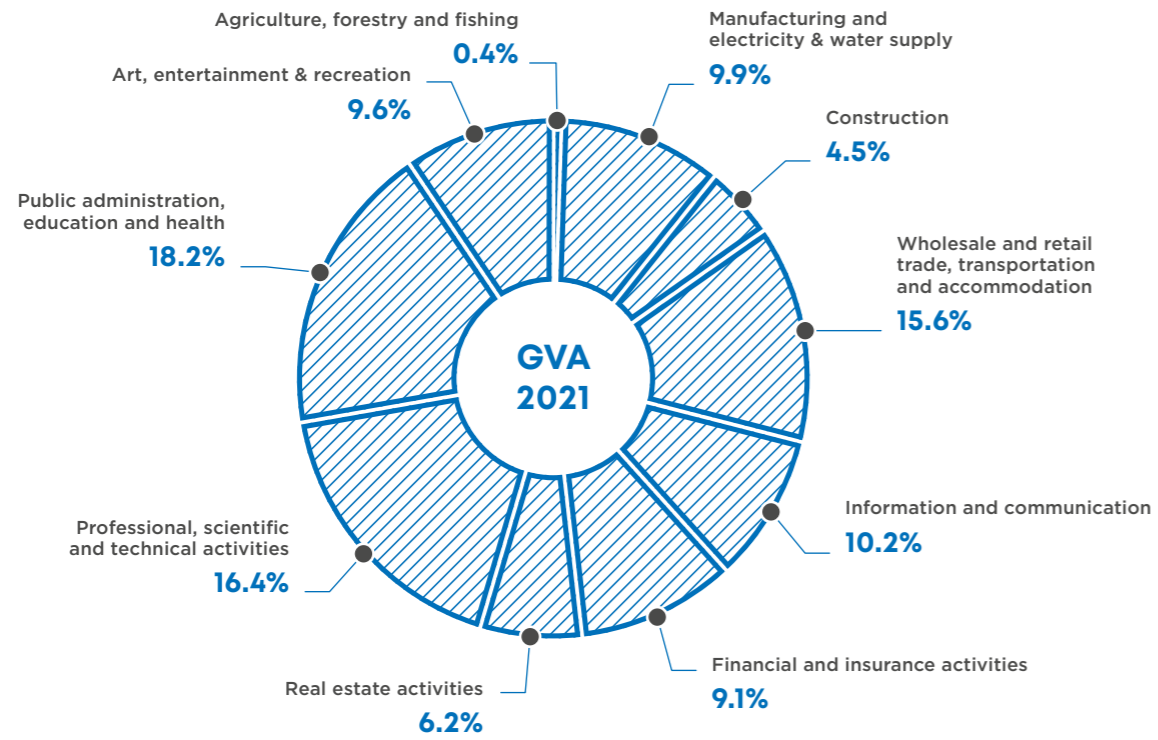
Diversification into new niches of economic activity is at the forefront of Malta's economic vision and will be essential to create a compelling value proposition for innovative businesses to establish their operations here. Malta intends, and is capable of, making full use of the country's size, EU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

A primary ambition is to establish Malta as a global leader in niche areas of research, development, and innovation. The government aims to double its spending on R&D, mainly through increased private sector investment in parallel with that of government, academia and policy levers involving both supply-side and demand-side measures. In this respect, AI and IoT are high on the country's agenda. Other key focus areas include health and wellbeing, digital education technology and services (EdTech), technology driven regulatory solutions (RegTech), autonomous marine vessels, public sector blockchain solutions, green solutions such as carbontech, and international arbitration.



**Economic agility, diversification and stability** *continued*

Gross Value Added (GVA) – Sectorial distribution of Malta's GVA for 2021



Source: NSO



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# Malta's KEY ECONOMIC SECTORS



## Manufacturing

Several foreign corporations have relocated their manufacturing divisions to Malta to benefit from a skilled, multilingual workforce, as well as advantageous regulations. In order to maintain its competitive edge, Malta is moving away from labour-intensive industries and focusing on automated and high value-added activities.



## Gaming

In 2004, Malta was the first EU Member State to regulate online gaming, gaining a significant competitive edge over its EU counterparts. The country is also exploring an e-sports strategy, a promising industry, amongst the fastest growing in the world. It is projected to globally grow beyond the €1 billion mark. As Europe's iGaming capital, Malta is home to the world's largest operators and hosts 350 iGaming companies. As the first EU country to licence online gaming, Malta boasts almost two decades of uninterrupted growth in this sector. Due to the efficient and stringent licensing process, a Maltese licence provides real value and is held in high esteem.

More recently, eSports (electronic sports) is becoming an increasingly important facet in Malta's gaming industry. Esports involves multiplayer video game competitions and tournaments, often mimicking traditional sports by using similar tournament formats and regulations. Local interest has grown, and the industry has experienced a steady growth in popularity thanks to numerous competitions and events.



## Maritime

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

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



## Financial Services

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

Fintech has expanded its portfolio into profitable niche areas such as pensions, payments and securitisation as well as opening its doors specifically to Fintech entrepreneurs. Given Malta's ambition to become an innovation hub, the global Fintech sector is finding it attractive to relocate her due to the wealth of local talent, both in the technological and financial fields.



## Healthcare

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

Malta's vision for the future is to continue to have a fast, high end and efficient healthcare sector, including better amenities and quality of services as well as a plan to become a reputable health-tourism hub<sup>9</sup>.

To this end, one of the main components outlined in Malta's Recovery and Resilience Plan is to strengthen the resilience of the health system through policy reforms and investments focusing on prevention measures, improving the quality of medical treatment, digitising services, and bolstering the workforce. This component of the Recovery and Resilience Plan has been allocated a budget of €50 million<sup>10</sup>.



## Digital Strategy

The Maltese government has taken a clear stance on technological innovation. ICT is identified as a crucial facilitator in the development of the nation's economy and to assert the country's aspiration to become a disrupter, rather than a follower. In line with this commitment, Malta has firmly established itself as a leader in new, up-and-coming areas such as distributed ledger technology (DLT). In the world in terms of ICT infrastructure<sup>11</sup> Malta has ranked 20th.

The country has now set out to establish itself in the field of Artificial Intelligence as well as fostering a digital, smart and resilient economy. This has been outlined in the "Strategy and Vision for Artificial Intelligence in Malta 2030" which includes plans to revolutionise many industries from tourism to gaming to financial services. "Malta's Recovery and Resilience Plan" has been allocated €55 million to fast track digital transformation. The goal is to strengthen the national policy framework, including two policy reforms that will facilitate the further digitalisation of services in public administration and regulatory bodies and 4 areas of investment that will support both the public and private sectors in digitalisation and the improvement of overall security and efficiency.

The Malta Digital Innovation Authority has set aside €4.1 million for a plan to launch six new artificial intelligence programs covering transportation, energy, health, education, tourism, and online government services in Malta. The plan will target Malta's aspiration of becoming a hub for AI technology development, testing and implementation<sup>12</sup>.

<sup>9</sup> Malta's Recovery and Resilience Plan

<sup>10</sup> Malta's Recovery and Resilience Plan

<sup>11</sup> Global Innovation Index 2021

<sup>12</sup> economy.gov.mt



## Education

All public education up to the tertiary level is of high quality, free and receives public funding. There is currently only one public Maltese university, the University of Malta (UoM) which offers a wide range of degrees and diplomas, including new courses in AI and micro- and nano-technology. The Barts Medical School, based at the Gozo General Hospital, was opened in 2019. This private university offers degrees in medicine and dentistry. The American University of Malta (AUM), which was inaugurated in early 2019, offers students a mix of undergraduate, graduate and doctorate programs in areas of business, engineering and technology, and arts.

Malta's national response in education to the pandemic was supported by the existing and solid ICT infrastructure, offering students a relatively seamless, overnight transition to online learning. This greatly minimising disruption to students' educational experiences.



## Construction

During the pandemic, the Maltese construction sector continued to grow albeit at a slower rate. In 2020, the GVA from Malta's construction sector grew by 1.5%, increasing from c. €507.2 million to c. €512.5 million.

Following the pandemic, the construction sector in Malta continued to grow. In 2021, the GVA from the sector grew by 7.6%, increasing from c. €548 million to c.€588.4 million as of the end of 2021<sup>13</sup>.



## Tourism

The first quarter of 2022 has seen a significant rise in the number of inbound tourists compared to the same period 2021. With national vaccination rates being amongst the fastest in Europe, the country has been able to rapidly dismantle all travel restrictions to the island, instead, and prioritise Malta's COVID-19 Recovery Plan. The overnight halt in the travel and tourism industry as a result of the pandemic further offered Malta the opportunity to reformulate its long-term tourism strategy with the aim of attracting a "higher spending tourist: a tourist who appreciates those authentic, quality experiences" that Malta has to offer<sup>14</sup>. As a result, tourism is making a sharp comeback, with inbound tourists reaching levels of around 77% of the pre-pandemic ones. Significantly, total expenditure per capita is rose from €666 in the first quarter of 2019 to €710 in the same period in 2022<sup>15</sup>.



## Aviation

The local economy offers all the services required for aircraft operations. Aircraft manufacturers, operators and ancillary service providers are based in two dedicated aviation parks. Not surprisingly, the pandemic had an enormous negative impact on the aviation industry, affecting passenger traffic, aircraft workforce and incoming revenues. Following Air Malta's flight decrease from over twenty to less than two a day, tours and travel are now starting to pick back up again. Air Malta is now flying to 18 destinations in 11 countries, with network occupancy levels in June 2022 averaging at approximately 90%. The airline has further resorted to leasing an additional aircraft to cope with the significant increase in demand<sup>16</sup>.

In agreement with Malta Enterprise and INDIS for a new three bay, heavy maintenance hangar facility at Malta International Airport, Ryanair has announced an investment of €20 million<sup>17</sup>. The investment is expected to create over 250 highly skilled jobs.

From October 2022, Wizz Air plans to set up a new Maltese subsidiary, operating several Maltese registered aircraft to and from the island. The airline will offer a new low-cost option for travellers<sup>18</sup>.

Malta has also issued Europe's first-of-its-kind operational licence to a company called Dronamics, a cargo drone company that will establish Malta as a market-leader and hub for cargo transport by drone. Dronamics plans to commence operations towards the end of 2022, operating between Malta and Italy.

<sup>13</sup> NSO Gross Domestic Product

<sup>14</sup> Malta Tourism Strategy 2021-2030 - Recover, Rethink, Revitalise

<sup>15</sup> Malta Tourism Strategy 2021-2030

<sup>16</sup> <https://corporate.ryanair.com/news/ryanair-announces-malta-maintenance-facility/>

<sup>17</sup> STQARRIJA MILL-UFFIĊĊJU TAL-PRIM MINISTRU Ryanair b'investiment ta' €20 miljun fil-manutenzjoni u fit-tiswija tal-ajruplani, u li ser joħloq 250 impjeg f'pajjiżna

<sup>18</sup> <https://wizzair.com/en-gb/information-and-services/about-us/press-office/>



# Reasons to invest in Malta

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

Malta's global innovation output ranks 22nd, highlighting strong knowledge and technology-based and creative product outputs. Infrastructure, business sophistication and creative outputs all rank in the top 20 amongst 190 other economies<sup>19</sup>.

The ease of starting a business in Malta scores well too. The cost and paid-in minimum capital to start a limited liability company, in particular, achieved scores of 96.7 and 99.8 respectively out of 100 according to the World Bank Group<sup>20</sup>.

## EASE OF ACCESS

At the height of the pandemic, a number of airlines had to cancel some or all of their routes to and from Malta. Nevertheless, a number of major international airlines continued to operate here - Emirates, Lufthansa, British Airways, Qatar Airways, Ryanair, EasyJet, Wizzair, Alitalia, Air France and Turkish Airlines. Moreover, in December 2020, Malta International Airport officially set the ball rolling for 'Apron X', a multimillion project which focuses on transforming the airport into a cutting edge facility to meet the growing passenger demand and boost tourism. In February 2022, the Malta International Airport board of directors gave the €40 million project the go-ahead<sup>21</sup>. The initial part of the project is expected to be complete by 2024, with completion earmarked for 2026. Apron X will be able to accommodate up to seven additional medium-sized aircraft or three larger ones.

Being an island with a rich maritime industry, Malta is also fully accessible by sea. Currently there is a fast RoRo ferry service operated by Virtu ferries between Valletta and Pozzallo, Sicily and Ponte Ferries, which started operations in 2021 with a route between Valletta and Augusta, Sicily, adding a healthy level of competition.

## GEOGRAPHY

Malta's strategic location in the middle of the Mediterranean makes it an ideal stepping stone or intermediary for any organisation to branch out and expand both in Europe and Africa. EU membership also allows legal bodies incorporated in Malta freedom of movement throughout the EU.

## POLITICAL STABILITY AND ECONOMIC PERFORMANCE

Malta is a democracy based on the Westminster model and enjoys long-standing political stability. In turn, this is reflected in its solid economic performance. The country also scores highly on all quality of life aspects.

## BUSINESS FRIENDLY ENVIRONMENT

The country is an internationally-recognised financial services hub and is fast becoming a regional centre of ICT expertise. Malta has a business-friendly environment with a sound infrastructure and favourable tax rates for corporations and individuals.

## INFRASTRUCTURE

Substantial investment in both the public and private sectors is being made to increase the residential and tourist capacity, office and retail space as well as to improve and modernise the quality of life. Due to Malta's ever increasing population, the infrastructure has been struggling to keep pace, mainly due to the increasing number of cars on the road. As of 2022 Q1, the total of licensed motor vehicles reached 414,669<sup>22</sup>.

As a result of overcrowding, the government has invested heavily in new roads, as well as increasing and upgrading junctions in key traffic nodes. One such venture, the largest so far, is the Marsa flyover project which was completed in April 2021. The Government is also exploring the feasibility of an underwater tunnel between Malta and Gozo and a national metro system. The 2021 national budget, allocated €450 million towards infrastructural investment over the next 7-years with the purpose of changing Malta's industrial infrastructure as well as creating community spaces and an inclusive environment<sup>23</sup>.

## CONTAINMENT

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

## HISTORY AND ACTIVITIES

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

## WORKFORCE

The labour force is productive, highly educated, speaks English, is flexible, and has an excellent work ethic. The country has a good pool of professional, managerial and technical human resources and a ready supply of top graduates. However, due to the surge in economic growth over recent years, the country's biggest challenge is to attract the right fit skilled human resources and to curtail skills mismatches.

## START-UPS

The Maltese Government has recognised the key role that new entrepreneurs, innovators and disruptors play in the economy. Research shows that seed investment can last five times longer in Malta than in other, more expensive, jurisdictions. Attractive initiatives for start-ups include tax benefits as well as less burdensome audit and administrative requirements. "Start in Malta" is a governmental initiative aimed to stimulate the Maltese start-up conditions to become the home turf for many more successful start-ups<sup>24</sup>.

## CLIMATE AND ENERGY

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

<sup>19</sup> [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_gii\\_2021/mt.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021/mt.pdf)

<sup>20</sup> Doing Business 2020- Comparing Business Regulation in 190 Economies

<sup>21</sup> <https://maltairport.com/e40-million-investment-in-new-apron-given-the-green-light-by-malta-international-airports-board-of-directors/>

<sup>22</sup> NSO: Motor Vehicles: Q1/2022

<sup>23</sup> PRESS RELEASE BY THE MINISTRY FOR TRANSPORT, INFRASTRUCTURE AND CAPITAL PROJECTS A budget which builds on the vision of Malta that we want to leave for our children

<sup>24</sup> <https://startinmalta.com/about/>



## Citizenship by investment

Malta introduced the granting of Citizenship for Exceptional Services Regulations (“the Regulations”), which gives Maltese citizenship to foreign individuals and their families who contribute to the country’s economic development as well as meet other requirements.

Conditions for eligibility in terms of the Regulations include, inter alia, that the individual:

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

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

## Malta’s Permanent Residence Programme

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

Under the MPRP, third country nationals and their dependents willing to invest in Malta are granted a Maltese residence permit and may reside, settle, and stay in Malta indefinitely, as well as travel in the Schengen area without the need to apply for a visa, for a period of 90 days within a 180-day period.

The main applicant must satisfy the following five criteria:

- pay a non-refundable administrative fee of €40,000;
- purchase property at not less than €350,000 (or €300,000 for a property situated in Gozo or the South of Malta) or rent for not less than €12,000 per annum (or €10,000 for a property situated in Gozo or the south of Malta);
- pay a government contribution of €28,000 if purchasing a property or €58,000 if leasing a property, and an additional €7,500 for each additional adult dependent (except for the spouse);
- make a donation of €2,000 to a local philanthropic, cultural, scientific, sport, animal welfare or artistic non-governmental organisation; and
- show that s/he has capital assets of not less than €500,000, out of which a minimum of €150,000 must be financial assets.

## Tax incentives for foreign investors

Malta gives various incentives to foreigners, a policy which has been instrumental to attract a significant number of expatriates.

A long-standing, full tax system has existed in Malta since 1948. Although the corporate taxation rate stands at 35%, upon the distribution of dividends foreign shareholders may qualify for a refund generally equivalent to 6/7ths of the tax paid. This results in an effective tax rate of 5%. Furthermore, through fiscal unity, the 5% effective tax rate may be achieved immediately without having to distribute a dividend or file a claim for a tax refund.

With regards to personal taxation, individuals in Malta are, as a rule, subject to progressive tax rates. Having different rating scales for different categories, the system has a 35% ceiling. The general rule is that expats are taxed on income and certain local capital gains as well as foreign income remitted to or received in Malta. Foreign funds of a capital nature are not taxable, even when received in Malta. However, remittances to Malta for ordinary expenses such as living expenses are presumed to be remittances of income, unless proved otherwise. Furthermore, there are no property, wealth, or inheritance taxes (other than stamp duty). One may opt to be taxed on gross rental income from residential or commercial property at a flat rate of 15% (subject to certain conditions).

Expatriates, who meet certain criteria, may now be subject to a minimum tax of €5,000, before double tax relief.

In addition, the country offers various tax programmes to high-net-worth expatriates, pegging an attractive flat tax rate of 15% on foreign income received in Malta. In order to qualify for one of the below special tax programmes certain criteria must be satisfied. Amongst others, the individual must hold a ‘Qualifying Owned Property’ worth not less than €275,000 (or €220,000 for property situated in Gozo or the south of Malta) or lease a ‘Qualifying rented property’ for €9,600 per annum or more (€8,750 for property situated in Gozo or the south of Malta) and must not reside in any jurisdiction other than Malta for more than 183 days in a calendar year.

For an individual qualifying under the Global Residence Programme (for non-EU/ non-EEA/non-Swiss nationals) or the Residence Programme Rules (for EU/EEA/ Swiss nationals) all foreign sourced income, which is remitted to Malta, is taxed at 15%, subject to a minimum tax payment of €15,000, after double tax relief.

The Malta Retirement Programme Rules apply to expatriates who are not in employment and who receive a pension as their regular source of income, all of which must be received in Malta and constitute at least 75% of the beneficiary’s income chargeable to tax in Malta. An individual qualifying under this programme will be subject to a tax rate of 15% on chargeable foreign income received in Malta, subject to a minimum income tax of €7,500 and an additional €500 per dependent per annum, after double taxation relief. In order to qualify for this special status, the individual must physically stay in Malta for at least 90 days a year averaged over 5 years. The Malta Retirement Programme Rules have now been extended to third country nationals.

The United Nations Pensions Programme (UNPP) is available to expatriates in receipt of a UN pension or a Widow’s / Widower’s Benefit of which at least 40% is received in Malta. UN pension or widow’s / widower’s benefit income received in Malta is exempt from local income tax. Other foreign income received in Malta is subject to income tax at a flat rate of 15%, subject to a minimum tax of €10,000, after double tax relief. In the case of a married couple both of whom are in receipt of a UN pension, the total minimum tax for the couple increases to €15,000, after double tax relief.

## Tax incentives for foreign investors *continued*

Malta also offers tax programmes to attract highly qualified foreign individuals to work in specific economic sectors. Under the Highly Qualified Persons Rules, expatriates satisfying certain requirements and employed in an eligible office, may opt to be subject to tax on such employment income at a flat rate of 15%, on condition that they do not claim double tax relief or any other deductions of credits. Companies which qualify include those licensed and/or recognised by the Malta Financial Services Authority, the Malta Gaming Authority or with an undertaking to hold an air operator's certificate or with the Office of the Chief Medical Officer to Government earning income payable from a 'qualifying contract of employment'. Beneficiaries of the said Rules may benefit from the reduced tax rate for a period of 5 years in the case of EEA and Swiss nationals and for a period of 4 years in the case of third country nationals. Furthermore, any person who is eligible to fall under the said Rules, upon submitting an application, shall be eligible for two further extensions of the qualifying period, provided that the maximum qualifying period shall not exceed a consecutive period of fifteen years (in the case of EEA/Swiss nationals) or twelve years (in the case of third country nationals). No determination in terms of these Rules shall be issued after 31 December 2025.

Similar programmes, namely, Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities (Personal Tax) Rules and Qualifying Employment in Aviation (Personal Tax) Rules and The Qualifying Employment in Innovation and Creativity Rules are also available. Individuals who are established in a field of excellence and return as ordinary Maltese residents may opt to have their income from employment in Malta taxed at a rate of 15%, subject to certain terms.

The above-mentioned incentives and schemes are having a multiplier effect on the Maltese economy and are leading to an increased demand for upmarket property in the country.



*started with db Group as a*

**WAITRESS**



*now*

**HOUSE KEEPING MANAGER**

*db Seabank*

PERSONAL GROWTH THROUGH GROUP GROWTH

DEBORAH MUSCAT





*Hospitality*  
**and Leisure**

# Hospitality and Leisure

Tourism is a main pillar of the Maltese economy, representing around 10.3% of the country's GDP, attracting 2.8 million tourists a year prior to the pandemic. Given that the resident population amounts to just over half a million this is significant.

Between 2015 and 2019, tourist arrivals increased by a compounded annual growth rate of over 8.9%<sup>25</sup>, which is significant when compared to EU averages. In 2020, inbound tourism fell drastically by 76.1% to around 659,000 tourists due to the global health crisis and associated travel restrictions.

Malta has seen a return in the number of tourists, with the total number of inbound tourists reaching almost 970,000 in 2021, an increase of 47% over 2020. During the first 5 months of 2022, January-May<sup>26</sup> over 650,000 tourist arrivals were recorded.

## Main Indicators for Inbound Tourism for Malta 2017-2021

	2017	2018	2019	2020	2021	% change 20-21
Inbound tourists, not including overnight cruise passengers (thousands)	2,274	2,599	2,753	659	969	+47%
Tourist guest nights (thousands)	16,500	18,570	19,350	5,230	8,390	+60.5%
Average length of stay (days)	7.3	7.1	7.0	7.9	8.7	+10%
Tourism expenditure (€ millions)	1,950	2,100	2,200	455	871	+91.3%

Source: National Statistics Office

May to October are typically the peak tourist months with August being the busiest. In 2021, tourists coming from the EU accounted for around 71% of all inbound visitors. Over 2021, the UK remained Malta's main source market, accounting for 22% of annual arrivals. Around 14% of tourists come from France, closely followed by Italian and German visitors, accounting for approximately 13% and 10% of total annual inbound visitors respectively<sup>27</sup>.

Over the years, Malta's tourist profile has shifted from a 'sun and sea' focus to a more varied and cosmopolitan one, embracing history, culture, and business travel requirements – meetings, incentives, conferences, and exhibitions, diving, sports, and English language learning. The majority of tourists are aged between 25 to 44 years old<sup>28</sup>.

<sup>25</sup> National Statistics Office, Inbound Tourism: December 2020

<sup>26</sup> National Statistics Office, Inbound Tourism: January-May 2022

<sup>27</sup> National Statistics Office, Inbound Tourism: December 2021

<sup>28</sup> National Statistics Office, Inbound Tourism: December 2021

As at Q1 2022, the number of hotels in Malta and Gozo stood at 120 amounting to over 36,000 beds. The majority are 4 and 3 star establishments, housing approximately 17,000 and 10,600 beds respectively. During the first quarter of 2022, 53% of non-resident hotel guests stayed at 4-star hotels, while 29% stayed at 3-star ones, and 15% opting for 5-star<sup>29</sup>.

The hospitality industry saw signs of significant recovery in FY22 which we used to our full advantage. Throughout the turbulent times of the pandemic db Group showed our strength and resilience, opting to focus on growth to remain responsive to the eventual end of the unfavourable times for tourism.

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

The Group is currently reaping the benefits of the financial investment that we took and the resilience we endured, enjoying the light at the end of the incredibly long tunnel. The results reported for the financial year clearly bear this out.



## AIR CONNECTIVITY

Over 90% of all tourists travel to Malta by air. In 2019 the Malta International Airport (MIA) registered 7.3 million passenger movements, a 7.4% increase over the previous year<sup>30</sup>. This growth was driven by additional capacity deployed by operating airlines and a number of new airlines and routes operating to Malta. However, in 2020 due to the ongoing COVID-19 pandemic, MIA's passenger traffic fell by 76.1%, which led the company to register the worst traffic result since the airport's privatisation in 2002. In 2021 with signs of global recovery, MIA recorded an increase of airport traffic, with over 2.5 million passengers travelling through the airport<sup>31</sup>.



## SEA CONNECTIVITY

In 2019, around 770,000 cruise passengers visited Malta, 21% more than in 2018. Around 64% of cruise visitors hailed from EU member states<sup>32</sup>. Malta is also traditionally popular as a yachting destination, offering a wide range and volume of berthing facilities. In 2020, cruise travel was impacted even more severely than other types of tourism, with only 59,000 passengers visiting Malta, representing a year-on-year decrease of 92%. 2021 saw a healthy rebound with the number of arrivals reaching 141,917. They are far below 2019 but there is evidence of recovery.



## ACCESSIBILITY

Malta is a small EU island state with the attendant features of insularity and peripherality. Hence, tourism is highly dependent on established route networks.

<sup>29</sup> National Statistics Office, Collective Accommodation Establishments: Q4/2020

<sup>30</sup> Malta International Airport, News Release

<sup>31</sup> Malta International Airport, News Release

<sup>32</sup> National Statistics Office, Cruise Passengers: Q4 2019





# *db Seabank* **Resort + SPA**



# db SEABANK Resort + SPA

1984	Silvio Debono acquires a small guesthouse in Mellieħa, expanding and embellishing it in subsequent years.
1992	The guesthouse is converted into an 80-room hotel and inaugurated as the Seabank Hotel.
1996	Major structural modifications are carried out and new amenities added as the number of rooms is doubled to reach 160.
2001	Seabank Resort + Spa is expanded further and the number of rooms is increased to 251.
2005	Seabank Resort + Spa undergoes a major overall refurbishment programme.
2012	With an investment of over €40 million, the db Seabank Resort + Spa is converted into a 540-room all-inclusive hotel.
2018	With a capital injection of €1.5 million the pool area is renovated and the service offering is enhanced with more guest facilities. The events area is revamped to accommodate three new entertainment spaces, including an indoor hall for events.
2021	Periods of closure due to COVID-19 are used to refurbish hotel rooms and different sections of the hotel.
2022	Upgrades are made in the hotel restaurants, with Tramun Taghna and Pellicola receiving a full overhaul and rebranding, now known as Salia and Levant, respectively.

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

In 2012, with an injection of €40 million, the resort was renovated and extended to a 540-room facility. The hotel offers seven themed restaurants, three bars, Malta's largest hotel pool, a state of the art fitness centre, and a spa with a heated indoor pool offering panoramic views. In 2015, a new entertainment complex including three restaurants, a bowling alley, a sports bar, and a teens and kids club were inaugurated on its grounds.

In 2021, the Group utilised periods of closure due to the COVID-19 pandemic as an opportunity to refurbish a number of hotel rooms and areas of the hotel. This made it possible for the Group to immediately welcome guests to a newly refurbished and fresh hotel in 2022.

The Group utilised this same period to perform a full refurbishment and rebranding of two of the seven restaurants at db Seabank Resort + Spa, to provide new exciting experiences for both resident and non-resident guests.

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





2022	<ul style="list-style-type: none"> <li>☆ Traveller Review Award by Booking.com</li> <li>☆ Traveller's Choice Award by Tripadvisor</li> <li>☆ Forbes Travel Guide "Sharecare VERIFIED"</li> </ul>
2021	<ul style="list-style-type: none"> <li>☆ Traveller Review Award by Booking.com</li> <li>☆ Traveller's Choice Award by Tripadvisor</li> <li>☆ Recommended Hotel by HolidayCheck</li> </ul>
2019	<ul style="list-style-type: none"> <li>☆ Traveller's Choice by Tripadvisor</li> <li>☆ Top-rated All-inclusive Hotel for the year by Hotels.com</li> </ul>
2018	<ul style="list-style-type: none"> <li>☆ Traveller's Choice by Tripadvisor 2018</li> </ul>
2017	<ul style="list-style-type: none"> <li>☆ Traveller's Choice by Tripadvisor 2017</li> </ul>
2016	<ul style="list-style-type: none"> <li>☆ Certificate of Excellence by Tripadvisor</li> <li>☆ Traveller's Choice by Tripadvisor</li> <li>☆ Loved by Guests Award</li> <li>☆ Guest Review Award by Booking.com</li> </ul>
2015	<ul style="list-style-type: none"> <li>☆ Certificate of Excellence by Tripadvisor</li> <li>☆ Traveller's Choice by Tripadvisor</li> <li>☆ Hall of Fame Award by Tripadvisor</li> <li>☆ Excellence Award by Booking.com</li> <li>☆ Quality Award by Jet2holidays</li> </ul>
2014	<ul style="list-style-type: none"> <li>☆ Certificate of Excellence by Tripadvisor</li> <li>☆ Traveller's Choice by Tripadvisor</li> <li>☆ Most Popular Hotel in Mellieħa by HolidayCheck.com</li> <li>☆ Gold Award Accessible Tourism by Travelife</li> </ul>
2013	<ul style="list-style-type: none"> <li>☆ Top 25 All-Inclusive Resort in Europe by Tripadvisor</li> <li>☆ Certificate of Excellence by Tripadvisor</li> <li>☆ Traveller's Choice by Tripadvisor</li> <li>☆ Quality Selection Certificate by HolidayCheck.com</li> </ul>
2012	<ul style="list-style-type: none"> <li>☆ Certificate of Excellence by Tripadvisor</li> </ul>
2011	<ul style="list-style-type: none"> <li>☆ Certificate of Excellence by Tripadvisor</li> </ul>



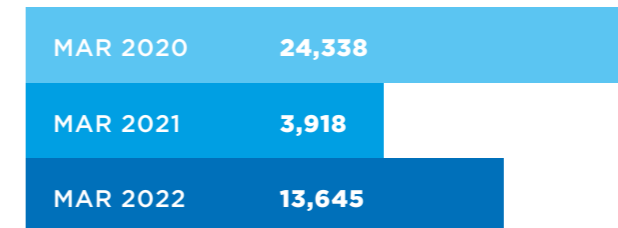


# 2022 Results AND KPIS

Throughout FY22, business has seen a significant improvement after the disruption caused by the pandemic in FY21. Between 2020 and 2021, the hotel's total revenue declined significantly as a result of prolonged periods of closure and drastic reduction in tourist arrivals. However, FY22 has shown significant signs of recovery and growth. Occupancy rates compared to FY21 have **increased by 38 percentage points** from 15% in FY21 to 53% in FY22. In this financial year, the achieved average room rate **decreased by 15 percentage points**. The reported Gross Operating Profit (GOP), however, amounted to **€7.35 million**, with the GOP margin of **54%**.

## REVENUE

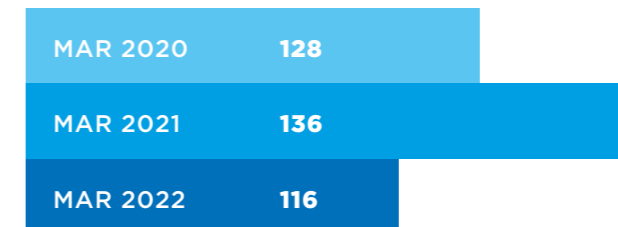
(€000s)



CHANGE FY2021/FY2022

## AVERAGE ACHIEVED ROOM RATE

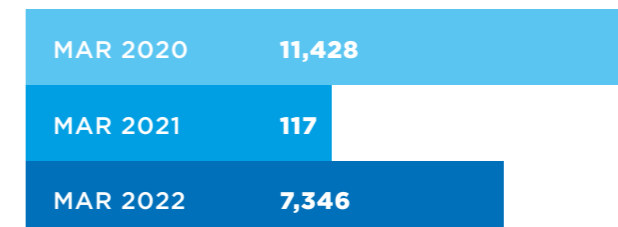
(€)



CHANGE FY2021/FY2022

## GROSS OPERATING PROFIT

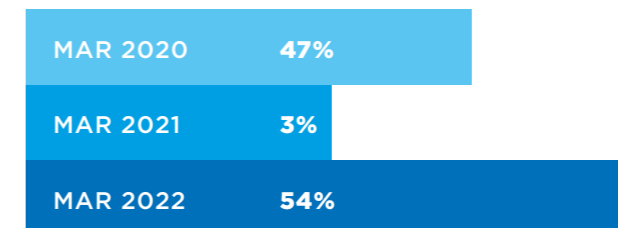
(€000s)



CHANGE FY2021/FY2022

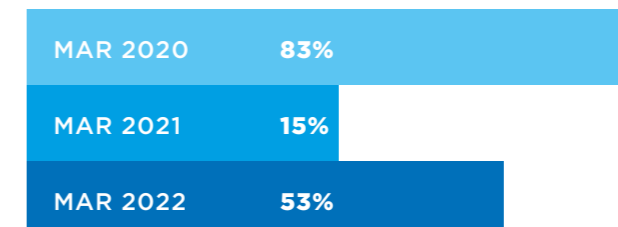
## GROSS OPERATING PROFIT MARGIN

(%)



## OCCUPANCY

(%)



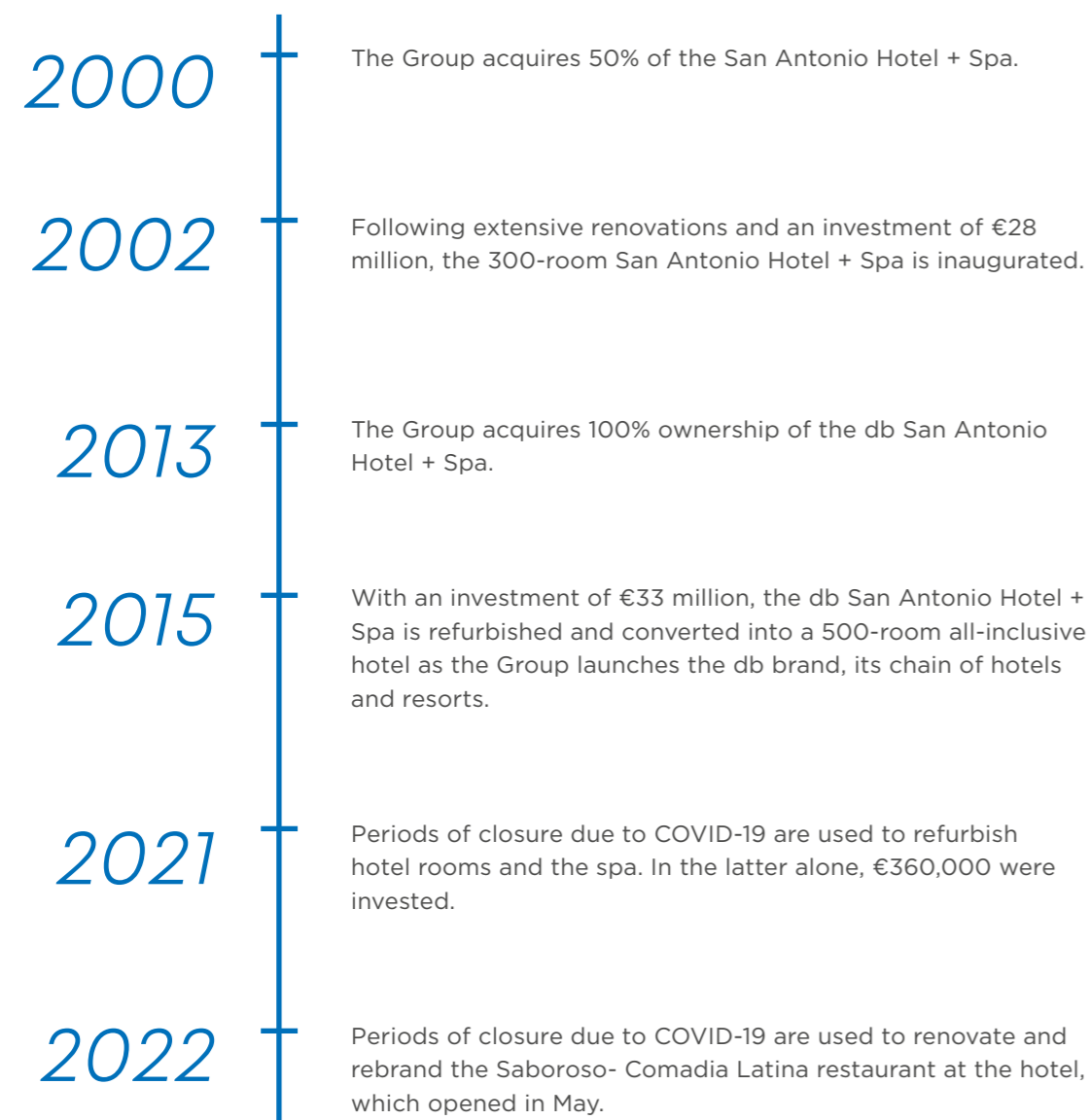




db SAN  
ANTONIO  
**Hotel + SPA**



# db SAN ANTONIO Hotel + SPA



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

Operating since 2002, db San Antonio Hotel + Spa was substantially upgraded in 2015. With an investment of €33 million, the number of rooms was increased from 300 to 500. In addition, a number of apartments are also offered on a long-term accommodation basis. In line with this upgrade, the hotel was converted into an all-inclusive hotel destination.

Periods of closure due to the pandemic provided the Group with the opportunity of carrying out further work and investment at this hotel as well. Most of the rooms and public areas were refurbished - plastering, pointing, painting and repainting. €360,000 was invested in the refurbishment of the spa which now has a total of seven treatment rooms, a hammam, ayurveda room and sultan's bath. The indoor pool including the hydro bath area has also been refurbished. The result of this investment was that guests arriving over the past year could enjoy a range of new and improved facilities.

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

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





2022	☆ Traveller Review Award by Booking.com ☆ Forbes Travel Guide "Sharecare VERIFIED"
2021	☆ Traveller Review Award by Booking.com ☆ Traveller's Choice Award by Tripadvisor ☆ Recommended Hotel by HolidayCheck
2019	☆ Certificate of Excellence by Tripadvisor
2018	☆ Certificate of Excellence by Tripadvisor
2017	☆ Traveller's Choice by Tripadvisor ☆ Certificate of Excellence by Tripadvisor ☆ Guest Review Award by Booking.com ☆ Recognition of Excellence Award by HotelsCombined ☆ Top Local All-Inclusive 2017 by Hotels.com ☆ Top Producer for Package Room Nights in the 4 star category by Expedia
2016	☆ Outstanding Service Award by GoHotels.com ☆ Best Hotel in Malta by Travel Republic Blog
2015	☆ Certificate of Excellence by Tripadvisor ☆ ECO certified by the Malta Tourism Authority ☆ Guest Review Award by Booking.com ☆ Recommended Hotel Award by HolidayCheck
2013	☆ Traveller's Choice by Tripadvisor ☆ Certificate of Excellence by Tripadvisor ☆ Top Bargain Hotel by Tripadvisor ☆ Certified by Lufthansa Holidays ☆ Bronze Award Winner by Zoover ☆ Quality Award by Jet2Holidays ☆ Top Producer Package Rooms by Expedia.com ☆ Sunny Heart Silver Award by Thomas Cook UK
2012	☆ Certificate of Excellence by Tripadvisor
2011	☆ Certificate of Excellence by Tripadvisor
2010	☆ Best Hotel in Qawra by Zoover

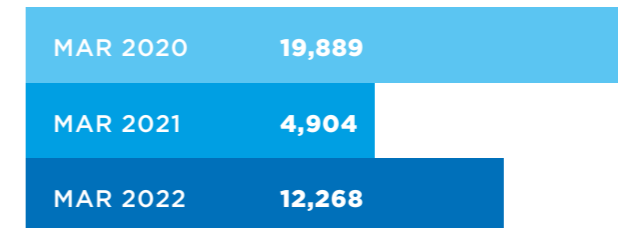




# 2022 Results AND KPIS

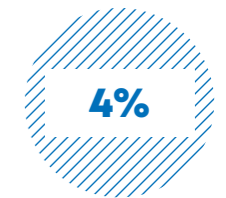
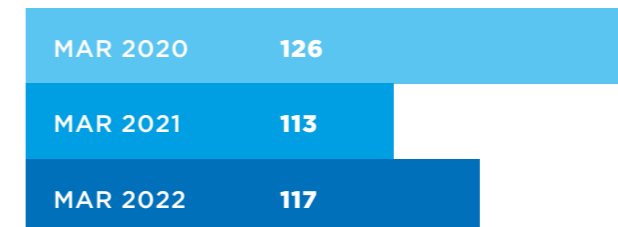
The db San Antonio Hotel & Spa's total annual revenue saw a sharp increase due to the easing of restrictions and db Group's agile subsequent responsiveness. Having decreased by 75% from €19.9 million in FY20 to €4.9 million in FY21, FY22 has shown a steep increase in annual revenue of **150%** to **€12.27 million**. The Average Achieved Room Rate **increased slightly** from €113 in FY21 to **€117** in FY22. Occupancy rates increased significantly from 16% in FY21 to **54%** in FY22. The hotel reported a GOP of **€6.75 million** and a GOP margin of **55%**.

## REVENUE (€000s)



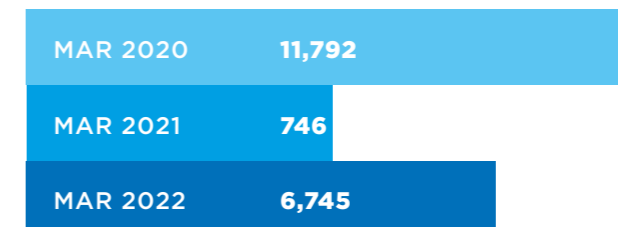
CHANGE FY2021/FY2022

## AVERAGE ACHIEVED ROOM RATE (€)



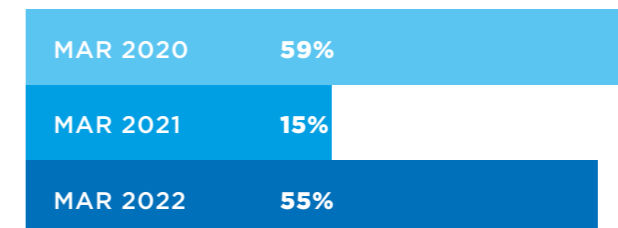
CHANGE FY2021/FY2022

## GROSS OPERATING PROFIT (€000s)

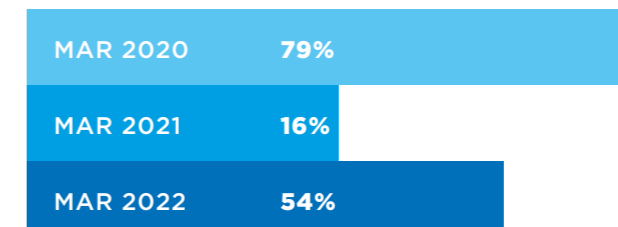


CHANGE FY2021/FY2022

## GROSS OPERATING PROFIT MARGIN (%)



## OCCUPANCY (%)







# PORTO AZZURRO Hotel



# PORTO AZZURRO Hotel

1995

The Group acquires a third of the Porto Azzurro Complex, an 80-room aparthotel which was refurbished and opened a year later.

1998

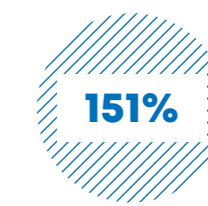
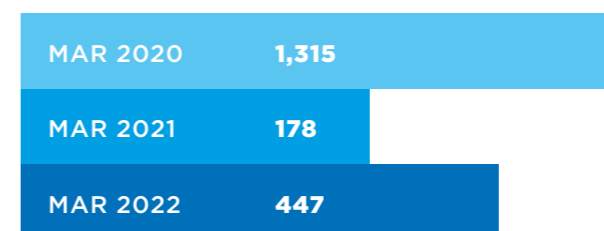
25 new hotel rooms are added to the Complex.

Porto Azzurro is a 3-star, 125-room aparthotel situated on the coast of Xemxija Bay, St Paul's Bay. The rooms and apartments are stylish and comfortable, with ensuite bathrooms, air conditioning, fully equipped kitchenettes and other amenities. The hotel has a 24-hour reception, wi-fi connectivity, an internet café, a launderette, a mini-market, a dedicated restaurant and a pizzeria. Leisure facilities include outdoor, indoor and children's pools, a whirlpool, a jacuzzi, a fitness centre, a games room and a mini-market.

In FY21, operations were limited as a result of the global pandemic, with total annual revenue amounting to circa. €178,000. In FY22, however, the hotel saw a strong rebound in demand, with **total revenue amounting to circa. €447,000**, resulting in a **gross operating profit of €121,000**.

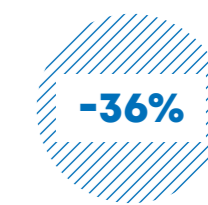
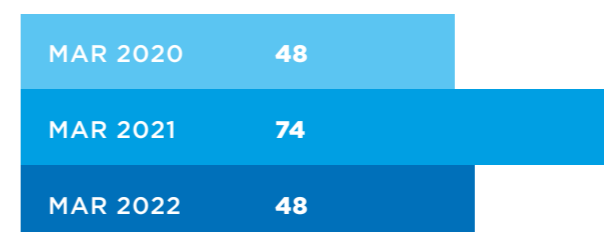
# 2022 Results AND KPIS

## REVENUE (€000s)



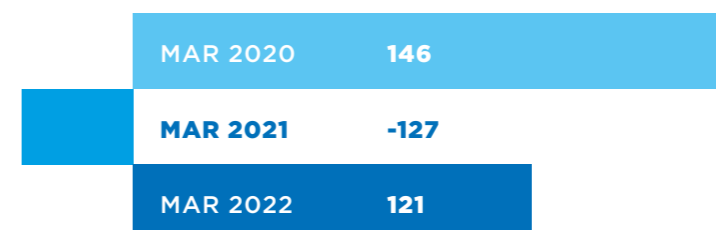
CHANGE FY2021/FY2022

## AVERAGE ACHIEVED ROOM RATE (€)



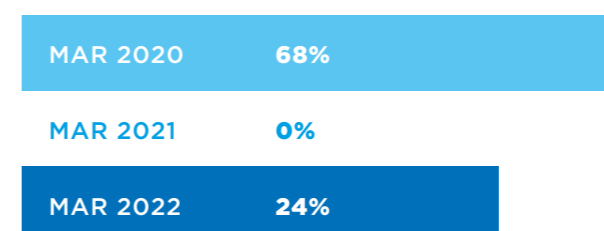
CHANGE FY2021/FY2022

## GROSS OPERATING PROFIT (€000s)



CHANGE FY2021/FY2022

## OCCUPANCY (%)







# *The MELIOR BOUTIQUE Hotel*



# The MELIOR BOUTIQUE Hotel

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

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

The Melior Boutique Hotel opened its doors in the midst of some of the most turbulent times, January 2022, the last 6 weeks of FY22. It was a move that may have seemed unusual to most; but offers insight into the powerful strategic vision that db Group employs. Choosing to grow, rather than retrench operations, the Group's unique awareness of its operational environment is evident.





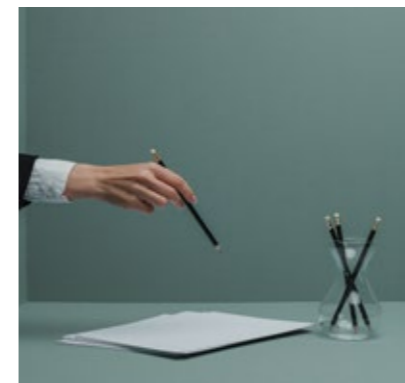
# Eventful



Eventful is a db Group brand that takes care of all the events held across all of our properties, managing all in-house and outsourced functions, activities and events. Its success is driven by a dedicated, experienced and enthusiastic team, all passionate about creating curated and memorable events. They aim to free clients from the stress associated with organising memorable events of any type and size.

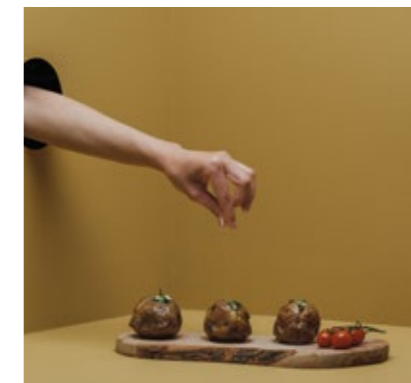
With multiple venues to choose from, clients are spoilt for choice: indoor to outdoor locations with multiple capacities, a wide range of restaurants, clubs, hotels and resorts are available to suit one's needs.

Eventful has successfully delivered office and corporate events, charity functions, weddings and civil unions and more. Our clients greatly value the wide selection of cuisines and mix and match we offer, all available for tailoring, prepared by Eventful's specialised kitchen brigade.



## TURNKEY SERVICES

Our wide range of services ensure that an event can be planned hassle free, under one roof. Clients are guided and presented with options, every step of the way, from the initial idea to its realisation.



## CREATIVE SOLUTIONS


The Eventful team specialises in creating special and innovative events which become memorable experiences. Resourceful with out-of-the-box ideas and tailor-made solutions, the team understands the needs of each client and delivers unique solutions.



## CELEBRATIONS

With access to a plethora of venues, Eventful's team provides personalised assistance to ensure the smooth running of every aspect of your event - children's birthday parties, casual get-togethers, elaborate weddings, corporate events and more.





*HARD ROCK*  
*CAFÉ*  
**Malta**



# HARD ROCK CAFÉ Malta

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



## MALTA INTERNATIONAL AIRPORT

Hard Rock Bar,  
Malta International Airport

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



## VALLETTA

Hard Rock Café,  
Valletta Waterfront

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

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

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

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

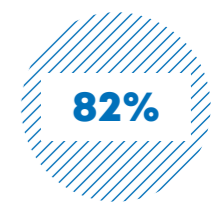
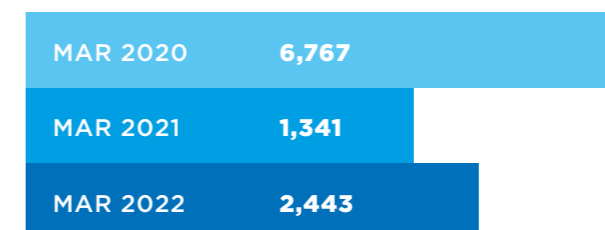


## 2022 Results AND KPIS

During FY22, Hard Rock Café generated **€2.44 million** in revenue, representing an increase of **82%** on its revenue for FY21, which stood at €1.3million. There have been clear improvements in business as a result of the recovery plans put in place in response to the difficulties encountered during the pandemic, when the outlets faced various operational challenges due to the restrictions resulting from COVID-19.

### REVENUE

(€000s)



CHANGE FY2021/FY2022



# STARBUCKS

## *Malta*





# Starbucks Malta

Since 1971, the Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 30,000 stores around the globe, Starbucks is the premier roaster and retailer of specialty coffee in the world. Through its unwavering commitment to excellence and guiding principles, the unique Starbucks Experience is brought to life for every customer, one cup at a time.

2018

The Group announces a licensed exclusive partnership to operate and develop a number of Starbucks stores in Malta in various locations. The db Group expresses its pride to have introduced another global franchise to Malta, bringing the iconic American coffeehouse experience to the island.

2019

The first Starbucks store opens its doors at Vault 15 at the Valletta Waterfront. As the brand's 80th global market, this store was designed to marry both our vibrant Mediterranean culture and aesthetics with a touch of Starbucks' own mercantile roots in Seattle's historic Pike Place Market. This outlet is featured in the international press as one of four Instagram worthy outlets to visit. The second outlet opened in Mellieħa, in June 2019, at the Group's seaside complex in Ghadira Bay, overlooking Malta's largest sandy bay.

2020

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

2021

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

2022

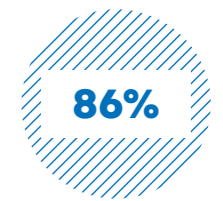
Given the resounding success of operating the current Starbucks outlets, the Group opens an additional four Starbucks stores around Malta in FY22, and three more from April-July 2022. To date there are 11 Starbucks outlets in operation. The Group has ambitious plans for opening an additional four in the next twelve months.

## 2022 Results AND KPIS

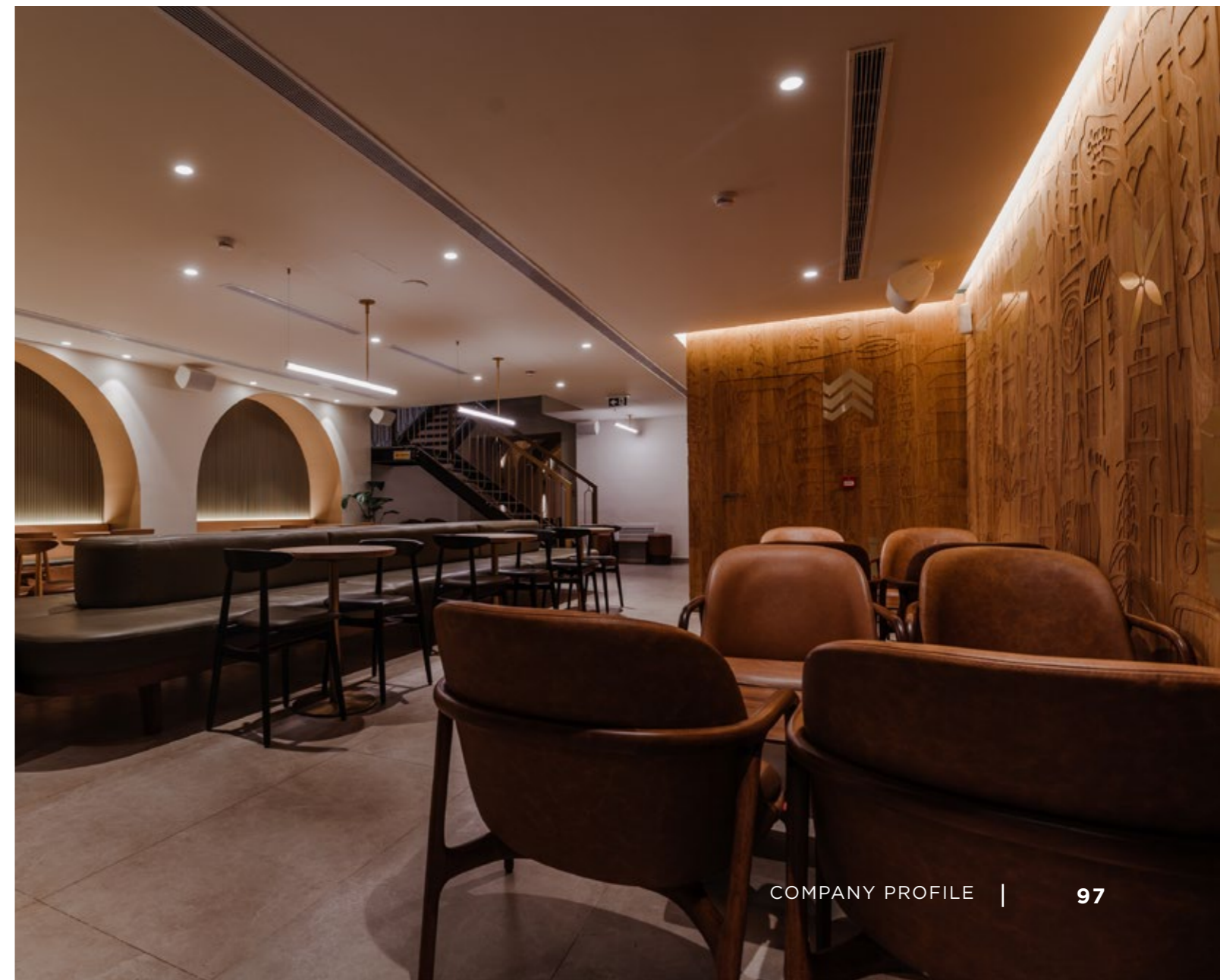
With four additional new outlets, Starbucks generated **€2.95 million** in revenue for FY22, a significant increase of **86%** compared to FY21, demonstrating the positive position and growth potential of the Starbucks brand in Malta.

### REVENUE (€000s)

MAR 2020	1,218
MAR 2021	1,587
MAR 2022	2,952



CHANGE FY2021/FY2022







*AMAMI,  
BLU BEACH  
CLUB  
& WESTREME*



# AMAMI, BLU BEACH CLUB & WESTREME

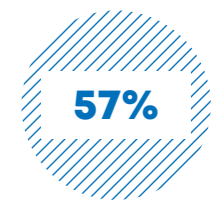
- 1993 | The Group acquires the Tunny Net Complex at the water's edge in Għadira, some 200 metres away from the db Seabank Resort + Spa.
- 1995 | The Tunny Net Complex is demolished and reconstructed to include a restaurant, pub, club, beach lido and water sports facilities.
- 2014 | A complete refurbishment is carried out.
- 2018 | Another, more extensive renovation is carried out with an investment of €3 million. The complex now houses three restaurants, a beach lido, and a convenience store to service tourists.
- 2019 | Malta's second Starbucks outlet opens its doors in the complex.

## 2022 Results AND KPIS

2022 marks the fourth year of operations since the complex was renovated and rebranded. Total revenue for FY22 was €4.92 million, representing an increase of 57% when compared to FY21. An increase in revenue in FY22 was expected due to the easing of restrictions after prolonged periods of closure as a result of the pandemic in FY21. The extent of revenue increase, however, highlights the success of the establishments, promptly bouncing back to near FY20 levels, despite some restrictions being in place at certain periods in FY22. Furthermore, after being introduced as a method to continue operations during times of heightened restrictions, catering to the home delivery market remained a key element of the establishments' sources of revenue.

### REVENUE (€000s)

MAR 2020	5,762
MAR 2021	3,133
MAR 2022	4,915



CHANGE FY2021/FY2022



### AMAMI

Amami is a Japanese and Asian haute cuisine located at the complex. Dishes are prepared by an expert team of international chefs who make use of authentic techniques such as a robatayaki grill, a traditional form of fireside cooking. Guests can enjoy magnificent, unobstructed views of Malta's most picturesque bay located in Mellieħa.

Despite the unprecedented challenges faced throughout 2020 and 2021, Amami still managed to exceed sales figures in FY21 and exceeded expectations in FY22.



### BLU BEACH CLUB

The Blu Beach Club is set right at the water's edge of Għadira Bay, Malta's largest sandy beach. The lido has all it takes to offer patrons the ultimate in seaside leisure. Great attention is given to every detail - from the comfortable sun loungers to the sublime menu, from the carefully selected summer cocktails to the relaxing décor and interior design.



### WESTREME

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





# *NINE* **LIVES**



# NINE LIVES

In June 2019, the Nine Lives beach club opened its doors. With an investment of €2.5 million, the Group developed a cool, sophisticated yet casual ambiance at a carefully curated space - the perched beach in St. Paul's Bay.

The club offers a one-of-a-kind chill out, swimming, and dining experience right at the water's edge with spectacular views of St. Paul's islands. In between dips in the Mediterranean Sea, guests can bask in the sun and enjoy gourmet food. In the evening, music becomes an integral part of the seaside, summery atmosphere, with regularly scheduled events.

Now in its third year of operation, Nine Lives continues to up its game, offering unique experiences through regular upgrades. It has become a destination of choice amongst locals and tourists alike, achieving excellent operational and financial results despite the challenging circumstances that have ensued as a result of the pandemic.

The success of Nine Lives is evident from the fruitful financial performance recorded in FY22, with revenue surpassing that of summer 2019, despite the difficult operating environment over FY22. Its favourable performance reaffirms the Group's ability to create successful, novel leisure experiences, as well as the ability to overcome the most challenging of circumstances with unrivalled agility.

## 2022 Results AND KPIS

During FY22, Nine Lives generated **€1.88 million** in revenue, an **increase of 92%** over the FY21 revenue of **€0.98 million**.

### REVENUE

(€000s)

MAR 2020	1,350
MAR 2021	978
MAR 2022	1,878



CHANGE FY2021/FY2022







# AKI



# AKI

In February 2020, with an investment of €1.2 million the db Group opened AKI, a new restaurant and lounge bar in Valletta offering a unique gastronomic experience.

AKI offers a delicious spin on familiar Japanese flavours. Guests can sample from carefully prepared signature Japanese-inspired dishes with flavours to satisfy contemporary palates. At the lounge area, guests can choose from an array of signature AKI cocktails. It is a cocoon where the music and sophisticated décor add to the perfect setting to relax and unwind.

AKI was created with the aim of diversifying the db Group's extensive portfolio of restaurants, building on the experience gained over the last three decades. Highly specialised interior and lighting designers were engaged to deliver the concept and ambience envisioned by the Group. London-based Jestico + Whiles, an international architecture studio, designed the AKI interiors and the lighting was entrusted to Into Lighting Ltd, a leader in lighting design with four decades of experience.

In 2020, as a result of the pandemic, the restaurant was forced to close its doors only weeks after the opening. At the end of May 2021, however, restrictions were lifted and AKI continued on its journey to offer a unique experience to its patrons.

Now in its third year of operation, despite long periods of closure due to restrictions imposed throughout the COVID-19 pandemic, AKI had a positive year. It is often fully booked on weekends from days in advance and sales figures are solid and encouraging. During FY22, AKI generated €2.27 million in revenue, reaffirming the Group's ability to successfully create novel gastronomic experiences.

MICHELIN  
2022

On the 23rd of February 2022, **AKI was added to the 2022 Michelin guide**, evidencing the high quality of the all-encompassing experience provided by the restaurant. The Michelin guide identifies an international list of restaurants that provide superior overall experiences, presented by a highly regarded reviewing body, hence it is an achievement worth celebrating.

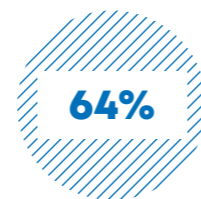
In 2022, the Group further invested in the restaurant by embellishing the place with fine artwork in order to further enhance the unique dining experience offered by the restaurant.

## 2022 Results AND KPIS

### REVENUE

(€000s)


MAR 2021	1,388
MAR 2022	2,272



CHANGE FY2021/FY2022







SONORA BAR AND RESTAURANT IS LOCATED ON THE GROUNDS OF THE SIRENS AQUATIC CLUB. IT LIES IN A PICTURESQUE SETTING AT ST. PAUL'S BAY, WALKING DISTANCE FROM THE POPULAR TOURIST RESORTS OF BUGIBBA AND QAWRA, OPENING ITS DOORS IN MARCH 2022, IT OFFERS AN INTERNATIONALLY INSPIRED IN-SEASON MENU AND FRESH TAKES ON STAPLE DISHES. SONORA OFFERS A CHILL OUT DINING EXPERIENCE, SOMETHING DIFFERENT FOR LOCAL AND FOREIGN PATRONS. IT HAS PROVED TO BE THE PERFECT AMBIANCE AND AESTHETIC FIT WITH THE NEWLY RENOVATED SIRENS WATER POLO CLUB.

SONORA HAS BECOME EXTREMELY POPULAR, FURTHER SUPPORTING THE BOLD DECISION MADE BY DB GROUP IN A YEAR OF UNCERTAINTY.

# SONORA





LOA IS AN UPMARKET SOUTH AMERICAN RESTAURANT AND LOUNGE BAR WHICH IS CONTRIBUTING TO THE UPGRADING OF THE AREA AROUND THE SIRENS AQUATIC CLUB. NESTLED RIGHT UNDER THE HISTORIC WIGNACOURT TOWER IN ST. PAUL'S BAY, LOA OFFERS PATRONS UNOBSTRUCTED VIEWS OF SOME OF THE MOST PRISTINE WATERS IN MALTA. IN CULINARY TERMS, IT SHOWCASES THE BEST OF NUEVO LATINO CUISINE, FUSING TRADITIONAL LATIN FLAVOURS WITH SOME OF THE LATEST GLOBAL PALATE TRENDS.

THE RESTAURANT OPENED ITS DOORS AFTER THIS YEAR'S FINANCIAL YEAR END, THAT IS IN APRIL 2022.

LOA IS YET ANOTHER SHOWCASE OF THE GROUP'S DRIVE TO RECOVER FROM THE PANDEMIC THROUGH UNINTERRUPTED GROWTH. ACCORDINGLY, THE MOMENT RESTRICTIONS WERE LIFTED, LOA WAS READY TO IMMEDIATELY OFFER EXPERIENCES THAT ARE IN HIGH DEMAND.

IN LOA'S FIRST FEW MONTHS OF OPERATION, THE RESTAURANT ENJOYED SOLID CUSTOM BY BOTH LOCALS AND TOURISTS. IT HAS BEEN ENJOYING POSITIVE CUSTOMER FEEDBACK AND IS OPERATING AT ALMOST FULL CAPACITY DURING THE WEEKENDS AND IS ALMOST AS POPULAR ON WEEKDAYS.

# LOA





# Healthcare



# HEALTHCARE

## Background

The public sector is the main service provider of healthcare in Malta, supplying near universal coverage to all residents covered by social security legislation or humanitarian exemption. It is complemented by a private sector which mostly delivers primary healthcare services. Over the past decade Malta has registered one of the largest per capita increases in health expenditure in the EU, despite being the smallest Member State. This increase has been relatively consistent year on year. Over the past two years the global pandemic and the subsequent pressures imposed on the Maltese healthcare system, public spending in this sector increased dramatically.

To consolidate stability, Malta's Partnership Agreement with the EU envisioned an overarching strategy rooted in three funding priorities, one of which is health and well-being improvement through the locally financed investment in the sector infrastructure<sup>33</sup>. As a result, the trend in year-on-year increase expenditure on healthcare is expected to be sustained.

Going forward, the number of hospital beds is anticipated to increase further through an ongoing €2 billion public-private partnership with Steward Healthcare (SHC). SHC is set to remodel and refurbish the current Gozo Hospital, Karin Grech Hospital and St. Luke's Hospital. In fact, in response to the pandemic, in 2020, Steward Malta expanded the Gozo General Hospital's capacity by an additional 120 beds. In 2021, SHC completed extensive upgrades of Gozo General Hospital's emergency and outpatient departments as well as a refurbishment of the physiotherapy department at Karin Grech Hospital.

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

## Long-term Care

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

Projected expenditure on this type of care is predicted to increase by 1.9% of GDP, reaching 3.0% by 2070. This trend reflects the demands of an ageing society and an increased life-expectancy at birth, part of an overarching trend stretching over the last six decades<sup>34</sup>.

Due to the ever-increasing demand for long-term care facilities, government has been investing in the construction and management of a number of residences and nursing homes. In search of the best model to develop and run these institutions, government has signed various contracts with the private sector. Although waiting lists for residential care have grown substantially longer, public-private partnerships served to shorten them to some degree<sup>35</sup>. During 2020, it was indicated that around 1,340 persons were on waiting lists for admission to elderly homes.

According to the European Commission's joint report on healthcare and long-term care systems, one of the challenges faced by the Maltese system is the shortage of licensed beds in retirement homes. A relief solution being pursued is the encouragement of more home care. Accordingly, Malta has introduced the Care at Home scheme through which the beneficiary receives a maximum amount of up to €6,000 a year to help support those citizens who employ a home carer of their choice.

<sup>33</sup> Update of Stability Programme 2022 - 2025

<sup>34</sup> The world bank- Life expectancy at birth, total (years) - Malta

<sup>35</sup> Long-Term Care of Older Adults in Malta: Influencing Factors and Their Social Impacts Amid The International Financial Crisis

## Nursing and Elderly Home Pressures

The old-age dependency ratio is a measure of the age structure of the population. It computes the number of individuals dependent on the support of others in their day-to-day life, to those capable of providing support. Globally, an increase in old-age dependency ratios is projected to significantly contribute to a higher demand for public spending on health, long-term care and pensions. The global increase projected on long-term healthcare ranges between 3.5% to 6% of total GDP<sup>36</sup>.

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

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

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

<sup>36</sup> 2021 Long-Term Care Report- Trends, challenges and opportunities in an ageing society



# HEALTHMARK CARE SERVICES *Limited*

2014

Through its partnership in Malta Healthcare Caterers Limited, the Group acquires the two largest healthcare companies in Malta and sets up Healthmark Care Services Limited (Healthmark). The key objective is to supply healthcare workers to public hospitals and clinics, as well as provide home care and support services.

2015

Through its partnership in Malta Healthcare Caterers Limited, the Group acquires land to develop a 300-bed home for the elderly in Santa Lucija, as well as a historic building in Mtarfa, which was subsequently converted into a 150-bed residence for elderly dementia patients. The service offering in this area significantly increases when the Group takes over operations from what used to be the MMDNA.

2016

Service offering is expanded to include domiciliary care for the elderly.

2017

Through a PPP, Malta Healthcare Caterers Ltd and James Caterers Ltd are awarded the concession for the construction and operation of an additional 490 beds at SVPR, a senior living care residence. Through the same PPP, Malta Healthcare is also tasked to set up an onsite, fully-equipped kitchen as well as provide daily catering services to residents. The capital investment injected by Malta Healthcare was around €36 million.

2020

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

2021

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

Healthmark is one of Malta's leading independent providers of health and social care services, with a focus on hospitals and the community more broadly. Today it has a pool of 313 professional nurses, 320 staff members providing domiciliary care to the elderly and over 2,242 trained care assistants. Over the years, the venture grew considerably and has substantially increased the number of staff. Between 2021 and 2022 alone it engaged over 250 new staff, making it the largest employer of healthcare professionals in Malta.

Healthmark operates in both nursing homes & long-term care facilities. It currently provides carers to over 12 homes for the elderly in both Malta and Gozo. It also provides 5 government homes for the elderly with nursing services as well as care, support, nursing, home help and clerical services to various government, corporate and private clients. For the past 18 years, the company has also been the service provider of care and support workers to Mater Dei Hospital, the country's main hospital. In the local community, Healthmark provides home care and support services to seniors and to persons who need help at home due to illness or disability. Such support ranges from morning and night-time assistance, personal care, medication support, laundry, cleaning, meal preparation and other household tasks. Healthmark's care services also include specialist services such as supporting persons living with dementia and palliative care.

In 2017, a consortium made up of Malta Healthcare Caterers Ltd and James Caterers Ltd, was awarded a concession on a PPP arrangement for the provision of services at SVPR. Malta Healthcare constructed four new blocks to accommodate an additional 504 residents at SVPR and provides nursing, caring, housekeeping, and catering services, amongst others, for the additional 504 beds under a 15-year agreement. In 2021, the blocks were fully completed ahead of schedule, despite challenges posed by the pandemic. They are now fully operational at near full occupancy.

Healthmark positively contributed towards the tackling of the pandemic through its involvement in the provision of nurses and carers at various key locations, including swabbing and vaccination centres, care homes, hospitals and national entry ports such as the Malta International Airport. Having the largest private workforce of healthcare professionals in the country, Healthmark was able to support the country at a time when such personnel were in great demand and of crucial importance.

Throughout FY22, Healthmark remained devoted to providing the required care and support for the recovering Maltese community.

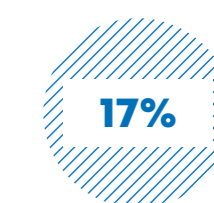
In 2022, the companies constituting the Group's healthcare division, including Healthmark Care Services Limited, Health Services Group Limited and Support Services Limited achieved the following results:

## 2022 Results AND KPIS

Revenue for Healthmark for FY22 was of €60.9 million, resulting in an increase of 17% when comparing FY22 to the revenue reported in FY21.

### REVENUE (€000s)

MAR 2020 <sup>37</sup>	55,905
MAR 2021	52,090
MAR 2022	60,926



CHANGE FY2021/FY2022

<sup>37</sup> During 2019, the accounting reference period was change from December to March. Accordingly, the financial statements for March 2020 cover a fifteen month period from January 2019 to March 2020. As FY20 covered a period of 15 months, the revenue for FY20 was adjusted to 12 months for comparative purposes.





# Contract *catering*



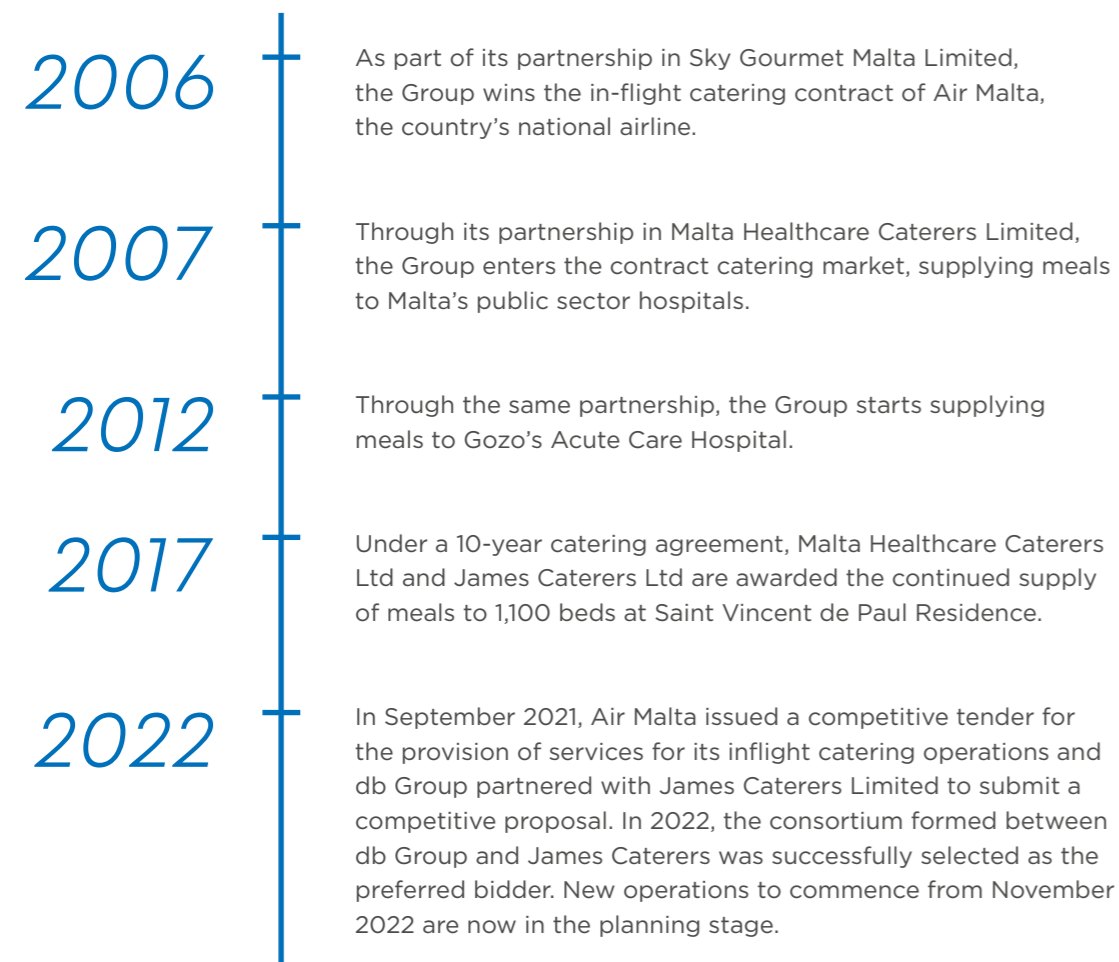
# CONTRACT Catering

## Overview of the Contract Catering Market

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

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

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



# Key CONTRACTS

## Malta Healthcare Caterers Limited

Malta Healthcare Caterers, a joint venture led by the db Group, provides hospital catering to all the public hospitals in Malta. The company uses state-of-the-art technology and computerised regeneration trolleys to serve over 6,000 cook-chill meals a day, making it the largest operation of its type in the country.

The company has been successfully providing such a service to Mater Dei, St Luke's and Sir Paul Boffa hospitals since 2007, to the Gozo General Hospital since 2013 and to Saint Vincent de Paul Residence since 2014. The company also started providing meals for the new oncology hospital, which started operating in September 2015.

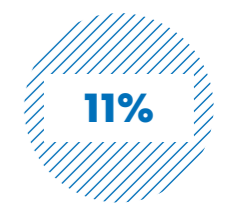
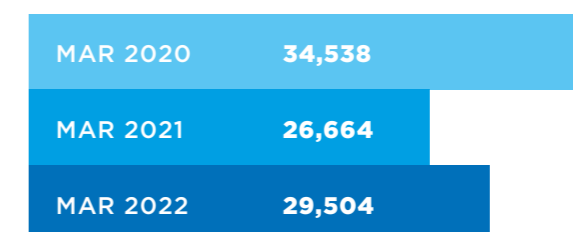
In 2017, under a 10-year catering agreement, Malta Healthcare Caterers Ltd and James Caterers Ltd were awarded the continued supply of meals for residents at Saint Vincent de Paul and entrusted with the setting up of an onsite, fully equipped catering centre.

Despite the challenges triggered by the pandemic, the company increased the number of staff employed and now has a workforce of 153 persons from 18 different countries.

## 2022 Results AND KPIS

Revenue for FY22 was €29.5 million compared with €26.7 million in FY21, which represents an increase of 11% within these periods.

### REVENUE (€000s)



CHANGE FY2021/FY2022



## Sky Gourmet Malta Limited

Sky Gourmet has serviced Air Malta, Malta's national airline, for over 15 years. Since then, the business has continued to develop and over the years the Company has successfully serviced international airlines such as Emirates, Turkish Airlines, Lufthansa German Airlines and Ryanair on a regular or ad hoc basis.

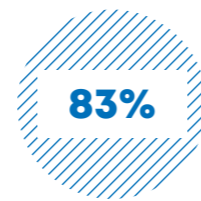
Prior to the pandemic, the Company served over 2 million airline meals and snacks a year. In addition, it also provides Air Malta with commissary and transport services for on/off loading of meals. As expected, a drastic reduction of flights and passengers because of the pandemic has drastically affected the sector. It has since shown signs of recovery as flights are operating more frequently and as demand inches towards pre-pandemic levels.

In recent years, Sky Gourmet has also experienced significant business growth in the ad-hoc charter flight service offering, providing a number of catering options for chartered flights and private jets.

## 2022 Results AND KPIS

### REVENUE (€000s)

MAR 2020	6,900
MAR 2021	1,412
MAR 2022	2,582



CHANGE FY2021/FY2022



started with db Group as a

**CHEF**



now

**DIRECTOR OF OPERATIONS**

*Lifestyle Group*

PERSONAL GROWTH THROUGH GROUP GROWTH

SANDRO DEGUARA





# Property *Development*



# PROPERTY *Development*

## Malta's property market

Malta is the fifth most densely populated country in the world visited by circa. 2.8 million tourists in the year before the pandemic. These dynamics, together with the scarcity of land, make the local property market relatively unique - it has just experienced a decade-long strong run, with significant year-on-year growth across the industry. This was the result of various underlying demand drivers, mainly the significant increase in our residing population - largely the result of an ever-growing expat community.

1991	Kika Construction Limited is set up to oversee the construction of the Seabank Hotel.
2009	A block of upmarket apartments in St Paul's Bay is completed.
2012	db Group completes the extension of the db Seabank Resort + Spa in a record 8-month timeframe.
2015	A block of luxury apartments in Mellieħa Bay is completed.
2017	The Group signs a contract to build the db City Centre project in St George's Bay, Paceville with an investment of €250 million.
2020	Updated plans for the db City Centre are completed, focusing on preserving the historical heritage found on site and ensuring that the project is more sensitive to the environment and the communities in the vicinity.





## Overview of projects carried out

Initially, the Group entered the property development market as a strategic move - to develop our own projects. Eventually, we expanded our operations to include other real estate ventures.

Kika Construction and Kika Developments were set up in 1991 and 1995 respectively in order to oversee the construction and upgrading of the db Seabank Resort + Spa extension projects. This latest extension project, with an investment of €40 million, was completed in a record 8-month period.

Additionally, Siar Property Investments Limited was later set up in order to develop and sell luxury apartments, a thriving market in Malta. Furthermore, the Group continued to develop luxury apartments in Għadira and Mellieħa, leading to the formation of Għadira Property Investments Limited. The Group was also involved in the development of a block of 16 high-end apartments in St Paul's Bay.

## Project Pipeline

The Group's flagship project is the proposed db City Centre in the Golden Mile, St. Julians, one of Malta's prime seaside hospitality and entertainment locations and right across St George's Bay, a blue flag urban beach.

The db City Centre will feature the Mediterranean's third Hard Rock Hotel, a shopping mall, the largest spa in Malta, a number of world-famous bars, restaurants and retail brand outlets, and almost 7,000 sq. km of public space.

The Hard Rock International brand itself is currently present in over 68 countries in more than 240 locations with over 211 cafés, 40 hotels and 14 casinos. The brand's mission is to spread the spirit of rock n' roll by creating authentic experiences for its customers. Some of the greatest stars in the world - Ringo Starr, Jon Bon Jovi, Eric Clapton and Rihanna, to name a few - actively associate themselves with the Hard Rock Brand. Hard Rock is also closely partnered with Microsoft, Nobu, Fender, Starbucks, MTV and Universal Studios.

From Ibiza to Chicago to Bali, Hard Rock Hotels already dot the globe. Architecturally, they aspire to be monuments of local architectural heritage. In the next five years, there are contracts signed to build another five Hard Rock Hotels around the world, ranging from Canada to Brazil to Malta. Europe currently has nine Hard Rock Hotels, these include hotels in Amsterdam, London, Dublin, Davos, Ibiza, Tenerife, Madrid, and Budapest, with a ninth hotel recently opened in Marbella.

“ *The db Group is recognised as one of the most established hospitality companies on the island with more than 30 years of experience, which includes the ongoing management of Malta's existing Hard Rock Cafés* ”

Marco Roca, Executive Vice President of Global Hotel Development at Hard Rock International



PERSONAL GROWTH THROUGH GROUP GROWTH

started with db Group as a  
**CONSTRUCTION WORKER**



now  
**PURCHASING MANAGER**  
db Group

KEVIN AZZOPARDI





THE MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS IS BECOMING INCREASINGLY IMPORTANT FOR THE LONG-TERM SUSTAINABILITY OF COMPANIES. THE GROUP REMAINS COMMITTED TO IMPROVING ITS ESG RELATED IMPACT IN ALL ASPECTS OF BUSINESS OPERATIONS. WE SHALL CONTINUE TO DRIVE POSITIVE CHANGE ACROSS OUR VALUE CHAIN AND IMPROVE OUR IMPACT ON THE COMMUNITIES IN WHICH WE OPERATE.

THE GLOBAL PANDEMIC BROUGHT TO THE FORE THE URGENT NEED FOR ACTION, IN TURN SERVING TO HIGHLIGHT OUR RESILIENCE IN OUR HANDLING OF THE CHALLENGE. AS COVID-19 ESSENTIALLY DECIMATED GLOBAL TOURISM, DB GROUP STRENGTHENED ITS RESOLVE TO AIM FOR LONG-TERM SUCCESS BY EMBEDDING THE VALUES OF SUSTAINABILITY IN THE GROUP'S OPERATIONS. OUR EFFORTS ARE OUTLINED HERE.

# ESG & Corporate Responsibility



# Environmental matters

db Group has been committed to minimising the negative environmental impact of our operations, actively encouraging responsible tourism. We chose to implement sustainable practices in all areas of our business. The focus was not only on minimising the Group's direct footprint but also on changing the habits and behaviour of our clients for the same purpose.



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

## Waste management

The management of waste is a key driver of our Group's environmental journey, particularly in the hospitality sector. With the support of clients, we have been taking various initiatives to decrease the generation of waste, particularly plastic, reusing towels and bed sheets, using water responsibly and others.

Waste is measured at both the Seabank and San Antonio hotels, thereby effectively monitoring waste creation trends and developing strategies to counter them. As a result, preliminary actions have been taken to provide more environmentally-friendly alternatives. To this end, we have switched from disposable single-use water bottles to the used water dispensers around the hotels. Branded recycled plastic water bottles can be purchased by guests for use during their stay or upon departure as a souvenir. The hotels also encourage guests to bring their own water bottles.

Plastic cups in our pool areas have been replaced by polycarbonate reusable glasses. In an attempt to further reduce waste at our hotels, the Group is offering consumables in a more sustainable manner. Shower gels, soaps, and other products are no longer supplied in mini individual packaging. Refillable soap dispensers are fitted in each room, whilst beverages are offered on tap, this will limit the number

of discarded bathroom amenity and beverage bottles, as well as packaging. The hotels also implement a waste separation system whereby cardboard, paper and glass are separated from other waste, thus supporting recycling. For some years now, we have also stopped providing single-use plastic straws, reducing our waste production by around 450,000 straws a year.

## Energy saving

Energy consumption and generation both play a key environmental role. In order to save electricity, the Group's resorts and hotels have two power factor correction units to help maximise the efficiency of the electricity that is supplied by the dedicated substations connected to the national grid. The building management system (BMS) supports the management of this energy throughout the hotels by means of an automated and efficient system that employs a variety of metres, timers and controls. The installed power factor correction units result in an estimated 7% saving in energy consumption.

All of the hotel rooms are controlled via a room management system (RMS) which regulates energy wastage through motion sensors and control switches. When no one is in the room all the electricity to it is shut off automatically.

In terms of lighting, at least 95% of the light fixtures in the Group's hotels and resorts are energy efficient. In addition, the Group's establishments' heating, ventilation and air conditioning systems consist of a mixture of water-to-water installations (typically for guest rooms) and variable refrigerant flow (VRF) installations (typically for open areas), to avoid the use of fluorocarbon gases. These technologies provide high energy efficiency gains and good temperature control, limiting the adverse by-products generated by traditional cooling systems.

Every unit of electricity and litre of water, fuel or gas is continuously monitored, recorded, calculated, and analysed per bed night. This helps the Group roll out strategies to further reduce consumption and set future targets to achieve better environmental goals.

The electricity consumption of the Seabank Hotel and San Antonio Hotel is presented below. In line with revenue growth and increased occupancy rates at the hotels, it is clear that in FY22 a significant increase in electricity consumption was registered over the previous year. This can be attributed to the increased activity over the previous reporting year, which faced significant operational disruptions due to the pandemic. Accordingly, in line with increased revenue and occupancy rates, energy consumption in FY22 at both major hotels also increased.

## Electricity consumption in kVAh for financial years ending 31 March 2021 and 2022

	FY20	FY21	FY22	% change FY21-FY22
db Seabank Resort + Spa	5,853,909	2,859,109	4,580,900	60%
db San Antonio Hotel + Spa	4,802,795	3,239,465	3,507,668	8%
<b>Total</b>	<b>10,656,704</b>	<b>6,098,574</b>	<b>8,088,568</b>	<b>33%</b>



## Water saving

Traditionally, vast amounts of water are consumed in hotels and resorts. To redress, db Group has been working hard to make its establishments self-sufficient in terms of water consumption. To this end, the Group has invested in two reverse osmosis plants (one at the Seabank Resort + Spa and another at the San Antonio Hotel + Spa) to convert seawater into first class potable water. These plants generate more than 150 million litres of potable water a year, which is equivalent to most of the water consumed at these establishments.

The Group also operates a state-of-the-art, 65.7 million litres per year sewage plant that treats all the sewage generated by the db Group hotels. It recovers a large quantity of high-quality water which is re-used in second-class applications, such as flushing toilets and landscaping. With this plant alone, the Group saves over 5.7 million litres of water a year.

Additionally, all storm water is collected and used for irrigation, supplementing the second-class water system. In this respect, the water consumption of the db Seabank Resort + Spa and the db San Antonio Hotel + Spa is presented below. Parallel to the Group's electricity consumption, it is clear that the significant upsurge in water consumption over the previous year is due to the increase in tourism activity post-pandemic.

### Water consumption in liters from third-party sources<sup>38</sup> for financial years ending March 2021 and 2022

	FY20	FY21	FY22	% change FY21-FY22
db Seabank Resort + Spa	4,137,000	661,000	4,185,500	533%
db San Antonio Hotel + Spa	15,632	3,289	1,777	-46%
<b>Total</b>	<b>4,152,632</b>	<b>664,289</b>	<b>4,187,277</b>	<b>530%</b>

<sup>38</sup> This third-party water consumption relates to water that is supplied by a local public utility company. Water consumption recorded in this table excludes water that is consumed from other sources such as: surface water, groundwater and seawater.



# Social matters

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

## 1. Our People

The Group employs more than 4,700 people;

## 2. Our Guests

We actively look for ways to improve our processes to support the needs of all our guests;

## 3. Our Localities & Communities

The Group supports organisations across the Maltese Islands.





## Our people

From a people perspective, although many of the Group's establishments were closed due to the pandemic, a decision was taken to retain all members of staff, albeit on reduced hours. The government wage supplement was given in addition.

The Group went a step further to ensure that staff was taken care of, offering accommodation and free food during non-working hours to support them through the challenging times. This decision paid dividends, as the Group was prepared for the increase in demand for hotel and leisure services as pandemic restrictions were lifted.

Demographically, staff is around 61% female and 39% male, coming from a wide range of countries around the world, creating a truly multicultural and diverse workforce.

Employee training plays an essential role in the success of our establishments. We invest substantial resources to train employees and management to improve performance, support their learning and improve company culture. The Group runs various training programmes - food handling, sales, communication, customer care, mental health, first aid as well as specialised training for our baristas, amongst others.

The Group provides new hires with hands-on induction training, handbooks and daily briefings to ensure that all staff members are fully geared to achieve the Group's eco targets. Amongst other initiatives, each year the Group runs an Environmental Awareness Week to further promote and raise awareness of the Group's ESG aspirations. As part of its environmental education drive, the Group also hosts school visits to enlighten students on the measures we are taking.

Additionally, a number of employees are appointed as Green Wardens to monitor and help with the implementation of environmentally friendly procedures throughout the resorts and hotels, coach other staff members, report any malpractices and suggest improvements.

## Our guests

By committing to the db Group's excellence vision, we are now rated by guests as amongst the best in Europe. Through its operational practices and standards, the Group has created various quality management systems to help deliver on this vision. The aim continues to be to reach the highest levels of client satisfaction, the best working relationship with all suppliers and delivering quality throughout. Our performance on this count is monitored against the needs and expectations of our clients using effective internal working systems and all applicable statutory and regulatory procedures. Progress against set goals and measurable targets is reviewed and evaluated through a management review process.

Confirming the Group's success in this regard are the numerous client-driven awards that our hotels, resorts and restaurants have received throughout the years, including in the most recent financial year.

## Our communities

Since its inception, the db Group has been an integral part of the communities in which it operates. The Group's first hospitality offering was in Mellieħa and, to date, operations are still largely concentrated in the northern localities. The group regularly participates in and supports cultural, charitable and artistic activities. With the support of our employees and management we have organised numerous beach clean-up sessions in the areas of the db Seabank Resort + Spa and the db San Antonio Hotel + Spa. Furthermore, given that music events and village feasts are an integral part of Maltese culture, the Group has worked hard to directly support the Mellieħa village feast.

Historically, our community outreach programmes have evolved and grown in parallel with the Group's growth. While we normally contribute throughout the year, pandemic restrictions have drastically reduced public activities. Consequently, our support was limited to the first half of the financial year, supporting a number of national organisations, including the Malta Community Chest Fund, Caritas, Dar tal-Providenza and Malta Trust Foundation.

In response to MHRA's appeal to its members to provide humanitarian assistance to those impacted by the war in Ukraine, the db Group also offered free lodging to Ukrainian refugees at both the db Seabank Resort + Spa and the db San Antonio Hotel + Spa.

## The db Group Charity Foundation

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

The aim of the foundation is to allow the Group to give back to the community in a more effective and direct manner, focusing on relieving poverty related impacts. The European Statistics on Income and Living Conditions (EU-SILC) 2019 survey revealed that 20.1% of the local population are at risk of poverty or social exclusion and 9.9% are materially or socially deprived. This situation is likely to deteriorate as inflationary pressures and the long-term effects of the pandemic and the war in Ukraine become clearer. Evidently, the Foundation could not have been created at a better time.

The Foundation's initial focus is the historic and grassroots community of Mellieħa. In the future, a strategy will be developed to assess how best to assist the wider community.





## Our involvement in the Starbucks charitable initiative

Starbucks Malta has nominated Foodbank Lifeline Foundation Malta to be supported by the Starbucks Foundation's Global Community Impact Grants scheme. The Foodbank Lifeline Foundation support those in crisis and struggling to find money for food with emergency 7-day food packs of non-perishable food items. On average, the programme supports 80-100 families and individuals a week, a total of around 14,000 individuals a year.

### About this initiative

## The Starbucks Foundation: Global Community Impact Grants

For over a quarter of a century The Starbucks Foundation has invested in communities across the U.S. and globally. In March 2022, it announced the investment of \$30 million by 2030 in the form of a new Global Community Impact Grants portfolio designed to drive locally relevant impact in the communities where Starbucks operates around the world.

To implement and scale the initiative, The Starbucks Foundation invites Starbucks licensees which operate Starbucks stores across its three international regions – Asia Pacific; Europe, Middle East & Africa; and Latin America & the Caribbean – to nominate local nonprofit organisations for grants. These grants aim to support programmes that create meaningful local or regional impact. As part of the initiative, Starbucks international licensees and business partners join the Foundation in investing in local nonprofits, providing in-kind donations and engaging volunteers, for greater impact in addition to the grants.



# Governance

## The Audit Committee

In April 2017, db Group issued a €65 million bond through SD Finance plc, the Group's finance vehicle. This bond issue was oversubscribed by the public. The Guarantor of the bond, SD Holdings Limited, is not a publicly listed company and is therefore not bound by the provisions of the Code of Principles of Good Corporate Governance set out in the Listing Rules to set up an Audit Committee. However, the Issuer, SD Finance plc, being publicly listed, had to formally set up an Audit Committee as a result of the bond issue.

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities with regards to financial reporting processes, financial policies and internal control structures. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board, management and the external auditors. The latter are invited to attend Audit Committee meetings.

The Audit Committee reports directly to the Board of Directors and its terms of reference include support to the Board of the Issuer in its responsibilities and dealings with issues of risk, control, governance, and associated assurance. The Audit Committee also has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party, including the Guarantor, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit Committee assesses any potential conflicts of interest between the duties of the Directors of the Issuer and their respective private interests or duties unrelated to the Issuer.

The Audit Committee is made up entirely of independent non-executive Directors. It is composed of Mr Stephen Muscat, Mr Philip Micallef and Dr Vincent Micallef. The Chairman of the Audit Committee, Mr Muscat who is appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Committee is the independent non-executive director of the Company and is considered by the Board to be competent in accounting and/or auditing in terms of the Capital Markets Rules.

## The Board of Directors of the issuer and the guarantor

SD Finance plc's Board of Directors is composed of two executive and four non-executive directors. Mr Silvio Debono (Chairman) and Mr Robert Debono occupy the executive posts. Mr Arthur Gauci, a non-executive director, is engaged as a Group consultant and holds the position of director of many companies within it. The three independent, non-executive directors are Mr Stephen Muscat, Mr Philip Micallef and Dr Vincent Micallef. While the executive directors of the Issuer are entrusted with the company's day-to-day management, the main functions of the independent non-executive directors lie in monitoring the operations of the executive directors and their performance, whilst reviewing any proposals tabled by the executive directors.

The Board of Directors of SD Holdings Limited also consists of seven directors, namely, Mr Silvio Debono, Mr Robert Debono, Mr Jesmond Vella, Mr David Debono, Ms Victoria Debono, Mr Alan Debono, and Mr Arthur Gauci.





# SD HOLDINGS LIMITED

## Annual Report and Consolidated Financial Statements

31 March 2022

145	01. DIRECTORS' REPORT
151	02. INDEPENDENT AUDITOR'S REPORT
159	03. STATEMENTS OF FINANCIAL POSITION
163	04. INCOME STATEMENTS
165	05. STATEMENTS OF CHANGES IN EQUITY
169	06. STATEMENTS OF CASH FLOWS
171	07. NOTES TO THE FINANCIAL STATEMENTS



# Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2022.

## Principal activities

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

The group operates in the local market and predominantly in hospitality, leisure and catering activities. It operates and owns two hotels: the db Seabank Resort & SPA situated at Ghadira Bay Mellieha and the db San Antonio Hotel & SPA situated in Bugibba. It also operates and owns the restaurant amenities at the Adeera Complex in Mellieha Bay, AKI Restaurant in Valletta, Nine Lives in Bugibba, LOA and Sonora in St. Paul's Bay and operates outlets under the Hard Rock Café franchise and the Starbucks franchise.

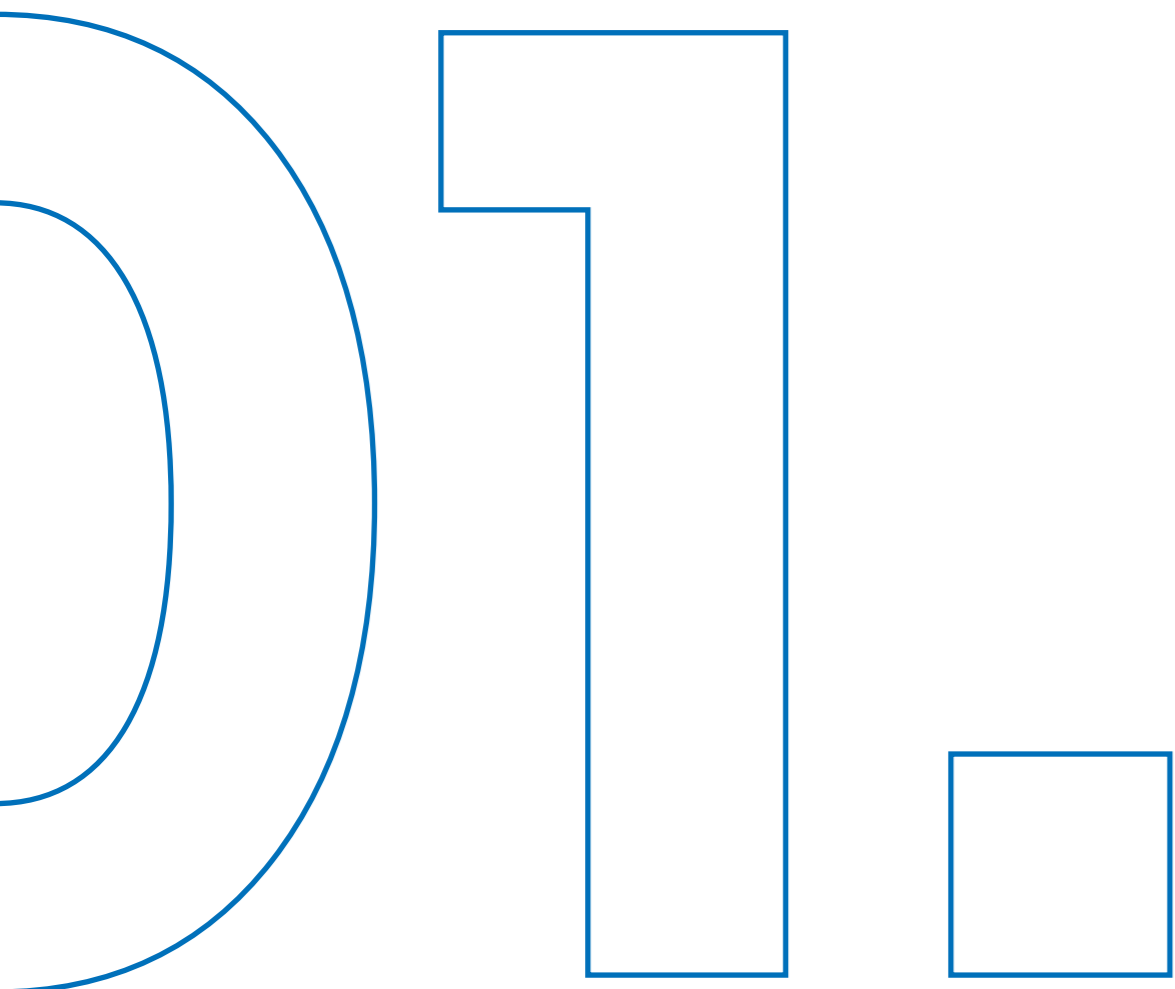
The group also holds investments in associates which provide healthcare and catering services to hospitals and retirement homes and associates which provide catering services primarily to Air Malta and other airlines operating from Malta. Other associated investments operate in the hospitality and catering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

## Review of business

Following a tumultuous period due to the global pandemic, the year ended 31 March 2022 saw a return to a new sense of normality. The group registered an increase in demand for its services as a result of increased consumer confidence in the tourism and leisure industry. Management continued to avail itself of COVID-19 government assistance measures such as wage supplements and deferral of taxes.

Total revenue for the group during the year under review reached €40.4 million resulting in a year-on-year increase of €23 million (+134%). The increase in revenue reflected itself in earnings before interest, tax, depreciation and amortisation (EBITDA) factoring in at €24.4 million as against €5.6 million registered for 2021 (+334%). These results raised the margin of profit or return on turnover generated to 60.5%, when compared to 32.6% during 2021. Given the pandemic situation, these results are excellent and came about following various measures taken by the Group to maximise its revenues keep its costs in check.

Consequently, the year 2022 resulted in a profit after tax of €10.6 million when compared to a loss of €2.1 million the previous year. The overall hotel portfolio occupancy increased to 54% when compared to 15% in 2021. These are encouraging results after both hotels had to close for two separate periods during the previous year.





# Directors' report

*continued*

## Review of business *continued*

Meanwhile the food and beverage sector also experienced better turnover figures, matching the results achieved in the year ended 31 March 2020 just when the pandemic brought about the closures of outlets in March. Turnover for the year reached €14.1 million (€ 8.2 million in 2021) and now includes a new restaurant in St. Paul's Bay and a number of Starbucks outlets across Malta.

The group's total assets amount to €350 million as against a comparative of €328 million in 2021. The group's equity base also increased by €10.6 million which is a direct result of the net profit registered for the year. As a result, the group's gearing ratio stands at 23.1% as against 27.8% for 2021.

The interest rate cover now stands at 6 multiple against a 1 multiple in the prior year mainly as a result of higher revenues of €23 million when compared to previous year.

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

## Outlook for the financial year ending 2023

Following the encouraging results achieved during the year ended 31 March 2022 we look forward with optimism for the coming year. With all COVID-19 measures now completely removed it is evidently clear that the accommodation and leisure industry is recovering faster than originally anticipated. Results to date are better than the previous year with hotel bookings showing encouraging results and excellent figures in the leisure sector.

The Group continued monitoring the COVID-19 outcome, taking all necessary health precautions as directed by the Health Authorities and managing its operations according to the measures applicable at that time so as to minimise costs and maintain appropriate liquidity levels. Non-essential service contracts and retainers were kept at a minimum eventually being revised upwards when the situation started improving. All staff who were on a reduced working schedule were eventually moved to a normal schedule and by the end of June all employees within the group were working on a 40 hour week basis. The Group also continued availing itself of the COVID-19 Government schemes that it was entitled to across all companies within the group.

We are encouraged, however, to note that as at the date that these financial statements have been authorised for issue, all the business units of the Group are back in business and fully operational and have been for a number of months now. This resulted in higher accommodation bookings, and satisfactory results in the hospitality and leisure sectors have been registered.

# Directors' report

*continued*

The Group has also prepared projections for the coming 2 years, based on historical financial information and forecasts, but factoring in the improved results of the past year. The Ukraine-Russia conflict is not expected to affect the results of the group as its exposure of business from these two countries is negligible. However, whilst the group has no direct business linkages with these countries, we are monitoring the effect that this conflict might have. Possible increases in the price of goods and services is the principal challenge that the group's entities will experience in the next financial year.

The group's projections forecast a continuing trend in improved results, together with the opening of new outlets over the next few months. The Group expects to open additional Starbucks units bringing the total in operation up to fifteen by the end of March 2023. A further two restaurants are also due to open during the course of 2023.

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

The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €40 million. The projections referred to above contemplate the existence of a significant liquidity buffer at the end of the year notwithstanding the expected adverse financial results. The Directors feel confident that with the measures taken and the secured financing arrangements, the Group shall overcome any disruptions brought about by a number of events currently underway, such as the increase in procurement prices, the cancellation of flights by the airlines and the conflict between Russia and Ukraine. On this basis, the directors are of the opinion that there are no material uncertainties which may cast significant doubt about the ability of the Group to continue operating as a going concern.

Amid the disruptions faced by the Group as noted above, SD Finance plc (the Issuer of the bonds) still paid its bondholders the full interest that was due in April 2022. Furthermore, it should be noted that in view of the measures undertaken by the Group, the projections outlined above and the cash reserves accumulated by the Group in the past years, the directors are of the opinion that the Issuer will have the necessary funds to finance the interest falling due in April 2023 and going forward.



# Directors' report

*continued*

## 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 163. The directors have not declared dividends for the current financial year. In the preceding financial year the directors had declared a net dividend of €4,000,000.

Retained earnings carried forward at the end of the financial reporting period for the group and the company amounted to €51,062,618 (2021: €40,344,641) and €16,612,106 (2021: €16,602,309).

## Directors

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

Silvio Debono  
Robert Debono  
Alan Debono  
David Debono  
Victoria Debono  
Vincent Degiorgio - Resigned on 17 September 2021  
Arthur Gaudi  
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 2022 are included in the Annual Report and Consolidated Financial Statements 2022, 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

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

29 July 2022



Alan Debono  
Director





## Independent auditor's report

To the Shareholders of SD Holdings Limited

### Report on the audit of the financial statements

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#### Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the “financial statements”) give a true and fair view of the Group’s and the Parent Company’s financial position of SD Holdings Limited as at 31 March 2022, 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 159 to 169, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 March 2022;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### Basis for opinion

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

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

#### Independence

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





## Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

### Emphasis of matter

We draw attention to Note 5 to these financial statements that explains matters relating to the Group's main investment property which are considered to be of fundamental importance to the understanding of these financial statements due to their nature and significance. Our opinion is not modified in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the db Group Annual report which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the Report on other legal and regulatory requirements.

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

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

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

### Responsibilities of the directors for the financial statements

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

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



## Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent company's trade, customers and suppliers, and the disruption to their business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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





## Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

### Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the Annual Report and Financial Statements 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Directors' report</b> (on pages 145 to 149) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).</li> </ul> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



## Independent auditor's report - continued

To the Shareholders of SD Holdings Limited

Area of the Annual Report and Financial Statements 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p><b>Other matters on which we are required to report by exception</b> We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.</li> <li>the financial statements are not in agreement with the accounting records and returns.</li> <li>we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.</li> </ul>	<p>We have nothing to report to you in respect of these responsibilities.</p>





## *Independent auditor's report - continued*

To the Shareholders of SD Holdings Limited

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### *Other matter – use of this report*

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

#### **PricewaterhouseCoopers**

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

Stefan Bonello  
Partner

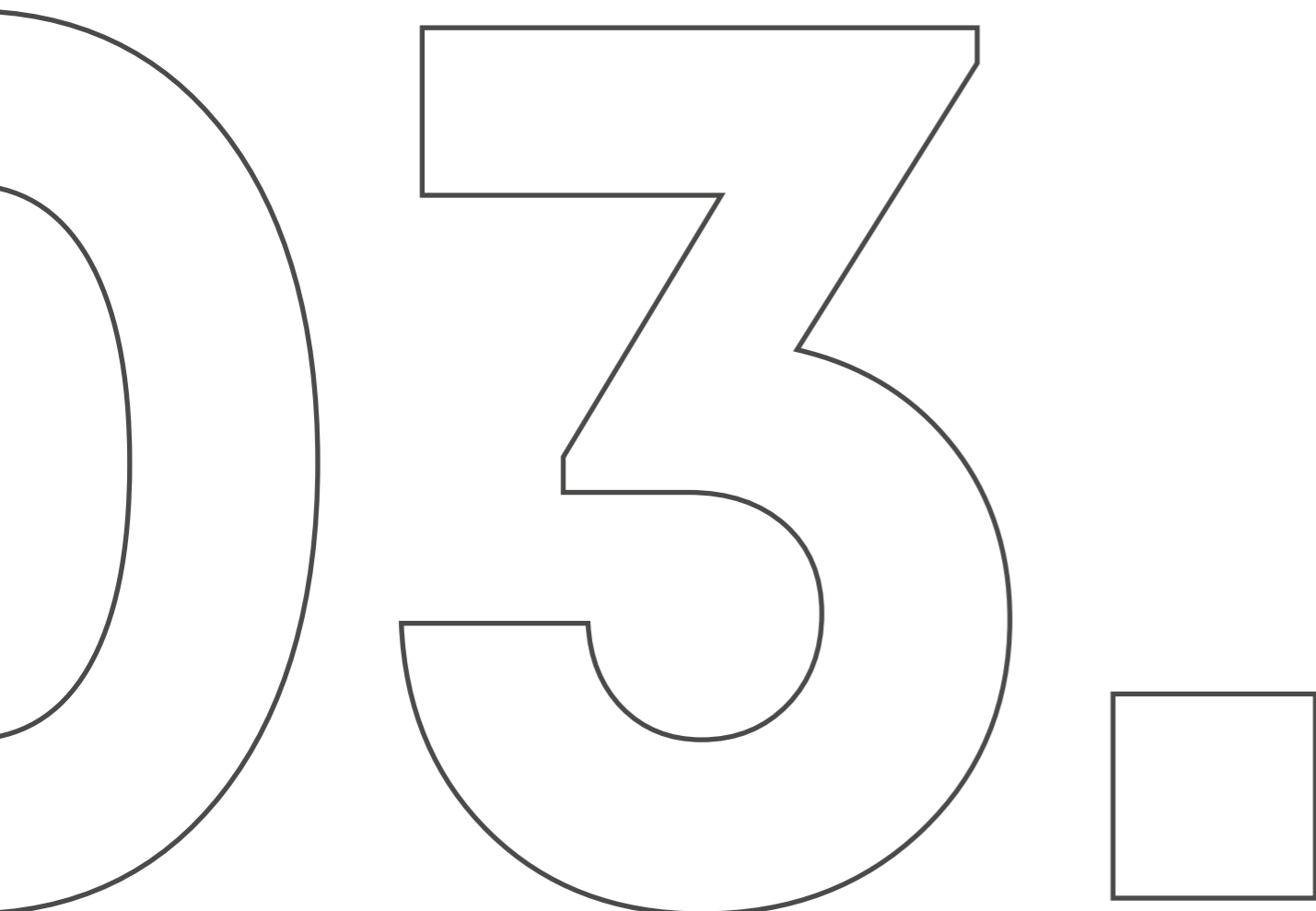
29 July 2022



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
		€	€	€	€
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	<b>183,852,700</b>	187,209,837	-	-
Investment property	5	<b>80,659,832</b>	78,049,862	-	-
Intangible assets	6	<b>907,598</b>	890,439	-	-
Investments in subsidiaries	7	-	-	<b>36,512,741</b>	36,512,741
Investments in associates	8	<b>15,889,539</b>	11,556,153	<b>5,460</b>	5,460
Right-of-use assets	9	<b>9,900,732</b>	6,207,914	-	-
Deferred tax assets	10	<b>4,580,712</b>	3,986,163	-	-
Trade and other receivables	11	<b>335,337</b>	210,168	<b>24,453,236</b>	26,321,039
Total non-current assets		<b>296,126,450</b>	288,110,536	<b>60,971,437</b>	62,839,240
<b>Current assets</b>					
Inventories	12	<b>1,471,758</b>	1,335,234	-	-
Trade and other receivables	11	<b>12,168,853</b>	7,198,883	<b>4,733,066</b>	2,466,453
Cash and cash equivalents	13	<b>40,188,342</b>	31,819,565	<b>35,440,917</b>	26,502,324
Total current assets		<b>53,828,953</b>	40,353,682	<b>40,173,983</b>	28,968,777
<b>Total assets</b>		<b>349,955,403</b>	328,464,218	<b>101,145,420</b>	91,808,017





# STATEMENTS OF FINANCIAL POSITION continued

AS AT 31 MARCH

Notes	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	14	4,000,000	4,000,000	4,000,000
Revaluation reserve	15	74,103,285	-	-
Other reserves	16	12,901,698	-	-
Retained earnings		40,344,641	16,612,106	16,602,309
<b>Total equity</b>		<b>142,067,601</b>	<b>20,612,106</b>	20,602,309
<b>Non-current liabilities</b>				
Trade and other payables	17	59,468,437	-	-
Borrowings	18	78,121,266	8,941,337	10,809,140
Deferred tax liabilities	10	18,619,149	-	-
Lease liabilities	20	9,749,691	-	-
<b>Total non-current liabilities</b>		<b>165,958,543</b>	<b>8,941,337</b>	10,809,140
<b>Current liabilities</b>				
Trade and other payables	17	36,030,837	69,494,745	59,712,703
Borrowings	18	4,768,684	2,092,327	678,960
Deferred Government grants	19	-	-	-
Lease liabilities	20	674,761	-	-
Current tax liabilities		454,977	4,905	4,905
<b>Total current liabilities</b>		<b>41,929,259</b>	<b>71,591,977</b>	60,396,568
<b>Total liabilities</b>		<b>207,887,802</b>	<b>80,533,314</b>	71,205,708
<b>Total equity and liabilities</b>		<b>349,955,403</b>	<b>101,145,420</b>	91,808,017

The notes on pages 171 to 223 are an integral part of these financial statements.

The financial statements on pages 159 to 169 were authorised for issue and signed by the board of directors on 29 July 2022 and were signed on its behalf by:



**SILVIO DEBONO**  
Director



**ALAN DEBONO**  
Director

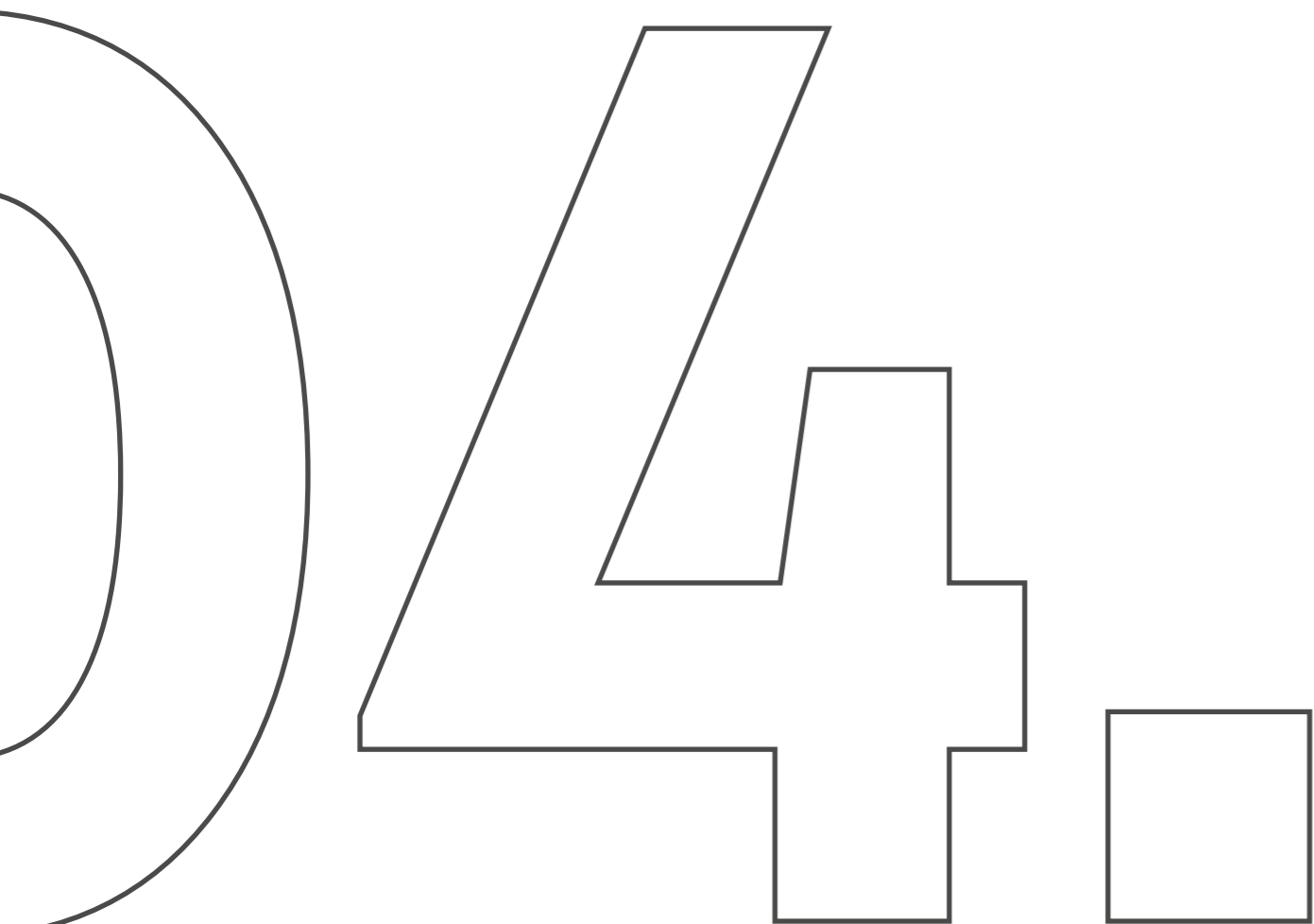


# INCOME STATEMENTS

## YEAR ENDED 31 MARCH

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
		€	€	€	€
<b>Revenue</b>	21	<b>40,359,846</b>	17,250,765	-	-
Cost of sales	22	<b>(28,989,145)</b>	(19,902,139)	-	-
<b>Gross (loss)/profit</b>		<b>11,370,701</b>	(2,651,374)	-	-
Selling expenses	22	<b>(87,832)</b>	(99,380)	-	-
Administrative expenses	22	<b>(4,124,074)</b>	(2,975,879)	<b>(25,984)</b>	(11,345)
Investment income	24	-	-	-	4,000,000
Other operating income	25	<b>3,802,687</b>	327,861	-	18,750
<b>Operating profit/(loss)</b>		<b>10,961,482</b>	(5,398,772)	<b>(25,984)</b>	4,007,405
Finance income	26	<b>53,979</b>	15,506	<b>124,372</b>	125,405
Finance costs	26	<b>(4,395,916)</b>	(3,929,155)	<b>(80,036)</b>	(74,357)
Share of results of associates	8	<b>4,468,386</b>	2,187,748	-	-
<b>Profit/(loss) before tax</b>		<b>11,087,931</b>	(7,124,673)	<b>18,352</b>	4,058,453
Tax (expense)/credit	27	<b>(524,099)</b>	5,016,930	<b>(8,555)</b>	(396,732)
<b>Profit/(loss) for the year</b>		<b>10,563,832</b>	(2,107,743)	<b>9,797</b>	3,661,721

The notes on pages 171 to 223 are an integral part of these financial statements.





## STATEMENTS OF CHANGES IN EQUITY

### GROUP

### ATTRIBUTABLE TO OWNERS OF THE PARENT

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



## STATEMENTS OF CHANGES IN EQUITY continued

### GROUP

#### ATTRIBUTABLE TO OWNERS OF THE PARENT

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

## STATEMENTS OF CHANGES IN EQUITY continued

### COMPANY

Note	Share capital	Retained earnings	Total
	€	€	€
Balance at 1 April 2020	4,000,000	16,940,588	20,940,588
<b>Comprehensive income</b>			
Profit for the year	-	3,661,721	3,661,721
- total comprehensive income	-	3,661,721	3,661,721
<b>Total comprehensive income</b>	-	3,661,721	3,661,721
<b>Transactions with owners</b>			
Dividend paid to shareholder	29	(4,000,000)	(4,000,000)
Total transactions with owners	-	(4,000,000)	(4,000,000)
Balance at 31 March 2021	4,000,000	16,602,309	20,602,309
<b>Comprehensive income</b>			
Profit for the year	-	9,797	9,797
- total comprehensive income	-	9,797	9,797
<b>Balance at 31 March 2022</b>	4,000,000	16,612,106	20,612,106

The notes on pages 171 to 223 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

YEAR ENDED 31 MARCH

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
		€	€	€	€
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	14,776,712	189,922	8,894,257	6,501,620
Net interest (paid)/received		(3,968,797)	(3,836,185)	44,336	51,048
Tax paid		(47,146)	(1,544,073)	-	(394,428)
Net cash generated from/ (used in) operating activities		10,760,769	(5,190,336)	8,938,593	6,158,240
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(2,609,357)	(2,416,777)	-	-
Proceeds from disposal of property, plant and equipment		-	39,682	-	-
Payments for investment property and related property development expenditure		(2,430,318)	(744,780)	-	-
Payments for intangible assets		(88,031)	(25,000)	-	-
Net movements of advances to subsidiaries		-	-	454,436	(9,999,999)
Divided received from associate		135,000	-	-	-
Net cash (used in)/generated from investing activities		(4,992,706)	(3,146,875)	454,436	(9,999,999)
<b>Cash flows from financing activities</b>					
Proceeds from bank borrowings		2,015,256	10,557,733	-	9,999,999
Repayments of bank borrowings		(2,154,126)	(1,063,996)	(454,436)	-
Advances from associates		2,993,253	6,542,133	-	-
Principal elements of lease payments		(738,168)	(477,410)	-	-
Net cash generated from/(used in) financing activities		2,116,215	15,558,460	(454,436)	9,999,999
<b>Net movements in cash and cash equivalents</b>		<b>7,884,278</b>	<b>7,221,249</b>	<b>8,938,593</b>	<b>6,158,240</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>31,582,081</b>	<b>24,360,832</b>	<b>26,502,324</b>	<b>20,344,084</b>
<b>Cash and cash equivalents at end of year</b>	13	<b>39,466,359</b>	<b>31,582,081</b>	<b>35,440,917</b>	<b>26,502,324</b>

The notes on pages 171 to 223 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 financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

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

Appropriateness of the going concern assumption in the preparation of the financial statements

The Group has prepared projections for the coming 2 years, based on historical financial information and forecasts, but factoring in the improved results of the past year. The Ukraine-Russia conflict is not expected to affect the results of the group as its exposure of business from these two countries is negligible. However, whilst the group has no direct business linkages with these countries, the directors are monitoring the effect that this conflict might have. Possible increases in the price of goods and services is the principal challenge that the group's entities will experience in the next financial year. In this respect, the Group has prepared projections for the coming 12 months and beyond, based on historical financial information and forecasts, but factoring in the mayhem created by the COVID-19 pandemic. These forecasts project a positive cash flow for the Group. The Group has over the past years accumulated a substantial cash reserve which as at year end amounted to €40 million and also utilised a €10 million loan under the MDB COVID-19 Guarantee scheme to mitigate against its working capital needs and at the same time cushioning the effect of any prolongment in its receivables cycle.

The directors have concluded that apart from the strong cash reserve position reported above, the group also has a solid equity position resulting in a gearing ratio of 23.1% as at 31 March 2022. This will enable the Group to ensure that it does meet its commitments both financial and otherwise; including the obligations towards bondholders which are expected to be met in full.

Furthermore, as at 31 March 2022, the company's current liabilities exceeded its current assets by €31,417,994 (2021: €31,427,791). In this respect, subsidiary companies have undertaken not to request repayment of amounts due until alternative financing is available.

On this basis, the directors have assessed that the group is expected to have the necessary funds to finance its operations and commitments towards employees, creditors, banks and bondholders going forward. Accordingly, the board continues to adopt the going concern basis in preparing the financial statements and considers that there are no material uncertainties which may cast significant doubt about the ability of the company and the Group to continue operating as a going concern.



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

### 1.1 Basis of preparation *continued*

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

During the current financial year, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 April 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, not impacting the Group's financial performance and position.

*Standards, interpretations and amendments to published standards that are not yet adopted*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 April 2021. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the group's directors are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

### 1.2 Consolidation

#### (a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

### 1.2 Consolidation *continued*

#### (a) Subsidiaries *continued*

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

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

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

#### (b) Associates

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

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

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

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. Summary of significant accounting policies *continued*

### 1.3 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

### 1.4 Property, plant and equipment

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

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

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

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

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

Freehold land is not depreciated as it is deemed to have an indefinite life. Leasehold land is amortised on a straight line basis over the period of the lease.

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

### 1.4 Property, plant and equipment *continued*

Assets in the course of construction and payments on account are not depreciated. Depreciation will commence once the respective assets are commissioned for their intended use.

No depreciation is charged on linen, crockery, cutlery and glassware. Normal replacements are charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

### 1.5 Investment property

Investment property comprises leasehold property acquired during 2017.

The group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property consists of land which is not depreciated as it is deemed to have an indefinite life. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

A property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.



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

### 1.5 Investment property *continued*

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost and accumulated amortisation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated amortisation for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its carrying amount at the date of change in use.

### 1.6 Intangible assets

#### (a) Goodwill

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

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. Summary of significant accounting policies *continued*

### 1.7 Impairment of non-financial assets

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

### 1.8 Financial assets

#### Classification

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

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

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



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

### 1.8 Financial assets *continued*

#### Measurement

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

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

#### (a) Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group may classify its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

#### (b) Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

### 1.8 Financial assets *continued*

#### Measurement

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 2 for further details).

### 1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. Cost is the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 1.10 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### 1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### 1.12 Share capital

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

### 1.13 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities 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. Summary of significant accounting policies *continued*

### 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.

### 1.17 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. Summary of significant accounting policies *continued*

### 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.

### 1.20 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.



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

### 1.20 Revenue recognition *continued*

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

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

#### Sales from hospitality and ancillary services

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

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

#### Sales of goods – retail

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

#### Financing

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

##### (a) Interest income

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

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

##### (b) Dividend income

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

##### (c) Other operating income

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

### 1.21 Customer contract assets and liabilities

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

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

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

### 1.22 Operating and finance leases

##### (a) Operating leases where group undertakings are the lessee

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group using residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.



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

### 1.22 Operating and finance leases *continued*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lessees, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, term and security.

Lease payments are allocated between principal and finance cost. The finance cost is computed so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance costs are recognised in profit or loss over the lease period.

Right-of-use assets are initially measured at 'cost' which, where applicable, comprise of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, except as highlighted below. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recognised in profit or loss.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

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

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

When assets are leased out under a finance lease, the lower of the fair value of the leased asset and the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return.

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

### 1.23 Borrowing costs

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

### 1.24 Dividend distribution

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

## 2. Financial risk management

### 2.1 Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the group's purchases are denominated in US dollar. Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the group undertaking manages the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in US dollar to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the balance sheet date is not deemed necessary.



## 2. Financial risk management *continued*

### 2.1 Financial risk factors *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 18). In this respect, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

#### (iii) Cash flow interest rate risk

For the company the cash flow interest rate risk principally arises from the loan from subsidiary (Note 18) and amounts owed by subsidiaries subject to variable rates. The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 18) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates in respect of these instruments. 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 and the company'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	
	2022	2021	2022	2021
	€	€	€	€
<b>Financial assets measured at amortised cost:</b>				
Trade and other receivables (Note 11)	8,114,182	4,839,613	29,120,837	28,785,696
Cash and cash equivalents (Note 13)	40,188,342	31,819,565	35,440,917	26,502,324
	<b>48,302,524</b>	36,659,178	<b>64,561,754</b>	55,288,020

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

#### Cash and cash equivalents

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating or nothing and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

## 2. Financial risk management *continued*

### 2.1 Financial risk factors *continued*

#### Trade receivables (including contract assets)

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of goods and services are effected to customers with an appropriate credit history. The group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the group's trade receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to trade debts, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective group undertaking and are deemed by management to have excellent credit standing, usually taking cognisance of the performance history without defaults.

The group manages credit exposures actively in a practicable manner such that amounts receivable are within controlled parameters. The credit quality of the group's receivables, which are not impaired or past due financial assets, reflects the nature of these assets which are principally debts in respect of transactions with counterparties for whom there is no history of default. Management does not expect any losses from non-performance by these parties.

The group's trade and other receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

#### Impairment of trade receivables (including contract assets)

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

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

### 2.1 Financial risk factors *continued*

As a result of the outbreak of COVID-19, the Group engaged in routine monitoring of the account activity and repayment patterns of its receivables. For this purpose, customers were subjected to more rigorous monitoring. The Group has not experienced a material shift in repayment patterns attributable to its customers post the COVID-19 outbreak, with no significant deterioration in collection rates detected. The Group has also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the Group and accordingly on their repayment ability. As a result of these assessments, at 31 March 2022 and 2021, the Group determined that the level of expected credit losses has not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of trade receivables.

On that basis, the loss allowance for the group as at 31 March 2022 and 2021 was determined as follows:

	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+121 days past due	Total
<b>31 March 2022</b>						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	1,072,325	677,220	532,637	70,441	917,724	3,270,347
Loss allowance (€)	<b>27,013</b>	<b>23,066</b>	<b>25,342</b>	<b>5,676</b>	<b>327,624</b>	<b>408,721</b>
<b>31 March 2021</b>						
Expected loss rate	1% - 4%	1% - 5%	1.5% - 7%	2.5% - 12%	30% - 40%	
Gross carrying amount (€)	18,496	47,865	76,391	13,307	1,487,651	1,643,710
Loss allowance (€)	<b>740</b>	<b>526</b>	<b>1,146</b>	<b>371</b>	<b>405,938</b>	<b>408,721</b>

The group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The group does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed separately in profit or loss.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than a year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

## 2. Financial risk management *continued*

### 2.1 Financial risk factors *continued*

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 2022 and 2021, the group's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the group's trade receivables figures.

#### Amounts owed by related parties and other receivables

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

With respect to the group's and the company's current amounts owed by related parties and other receivables, since such balances are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. In this respect, the directors considered such balances to have low credit risk and a low risk of default. Accordingly, the expected credit loss allowance attributable to amounts owed by related parties and other receivables was deemed immaterial as at 31 March 2022 and 2021.

The company's non-current amounts owed by subsidiary have been earmarked as additional capital required by the subsidiary, the terms of which will be concluded in the foreseeable future. On this basis, no credit risk has been contemplated.

#### (c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally the bonds issued to the general public (Note 18), other interest-bearing borrowings (Note 18), lease liabilities (Note 20) and trade and other payables (Note 17). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the group within certain parameters. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above. Furthermore, after considering the financing options available (disclosed in Note 18) and the support from related parties and the shareholder, the directors are confident that the group and the company are in a position to meet commitments as and when they fall due.



## 2. Financial risk management *continued*

### 2.1 Financial risk factors *continued*

The following table analyses the group's and the company's financial liabilities into relevant maturity groupings based on the remaining repayment period at the end of the financial reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

GROUP	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>At 31 March 2022</b>					
Bonds	2,827,500	2,827,500	8,482,500	67,827,500	81,965,000
Bank borrowings	4,776,438	4,871,004	9,424,992	-	19,072,434
Amounts due to Government in relation to purchase of land	5,982,160	2,991,080	4,710,966	160,964,400	174,648,606
Lease liabilities	1,083,001	982,596	3,007,397	10,219,729	15,292,723
Trade and other payables	21,805,552	-	-	-	21,805,552
Payments with respect to capital expenditure	487,444	690,546	-	-	1,177,990
<b>At 31 March 2021</b>					
Bonds	2,827,500	2,827,500	8,482,500	70,655,000	84,792,500
Bank borrowings	3,164,826	4,510,802	11,849,810	112,974	19,638,412
Amounts due to Government in relation to purchase of land	4,420,651	2,991,080	6,116,098	162,550,348	176,078,177
Lease liabilities	784,372	733,321	1,542,889	5,190,382	8,250,964
Trade and other payables	19,400,876	-	-	-	19,400,876
<b>COMPANY</b>					
<b>At 31 March 2022</b>					
Bank loans	2,310,000	2,580,000	5,164,820	-	10,054,820
Loan from subsidiary	67,709	67,709	203,126	1,555,810	1,894,354
Trade and other payables	69,489,768	-	-	-	69,489,768
<b>At 31 March 2021</b>					
Bank loans	921,338	2,310,000	7,496,798	-	10,728,136
Loan from subsidiary	67,709	67,709	203,126	1,623,518	1,962,062
Trade and other payables	59,712,703	-	-	-	59,712,703

## 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	
	2022	2021
	€	€
Total external borrowings	82,889,950	82,544,321
Less: cash at bank and in hand	(40,188,342)	(31,819,565)
<b>Net debt</b>	<b>42,701,608</b>	50,724,756
<b>Equity</b> - as shown in the consolidated statement of financial position	<b>142,067,601</b>	131,503,769
<b>Total capital</b>	<b>184,769,209</b>	182,228,525
<b>Net debt/total capital</b>	<b>23.1%</b>	27.8%

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 2022 and 2021 the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and short-term borrowings, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current payables and bank borrowings at floating interest rates and the fair value of the company's non-current receivables as at the reporting date is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 March 2022, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the Group's internal borrowing rate since the date of transition to IFRS 16. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial instruments: Disclosures'. Information on the fair value of the company's bonds issued to the general public is disclosed in (Note 18) to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

## 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, with the exception of matters disclosed in (Note 5), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

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

## 4. Property, plant and equipment

GROUP	Land & buildings	Assets in course of construction & payments on account	Computer equipment	Furniture, fixtures & fittings	Plant, machinery & operational equipment	Motor vehicles	Total
	€	€	€	€	€	€	€
<b>At 1 April 2020</b>							
Cost or valuation	156,835,747	1,356,084	1,420,564	57,118,192	18,124,000	732,496	235,587,083
Accumulated depreciation	(1,916,326)	-	(1,089,028)	(29,252,825)	(9,187,408)	(593,503)	(42,039,090)
Net book amount	154,919,421	1,356,084	331,536	27,865,367	8,936,592	138,993	193,547,993
<b>Year ended 31 March 2021</b>							
Opening net book amount	154,919,421	1,356,084	331,536	27,865,367	8,936,592	138,993	193,547,993
Additions	195,376	766,617	130,294	827,827	406,747	55,060	2,381,921
Commissioned assets	372,871	(1,023,410)	-	586,553	63,986	-	-
Disposals	(172,647)	-	(168,774)	(860,238)	(906,386)	(99,602)	(2,207,647)
Reversal of revaluation surplus (Note 15)	-	(510,000)	-	-	-	-	(510,000)
Depreciation charge	(802,462)	-	(140,481)	(5,352,487)	(1,763,981)	(75,797)	(8,135,208)
Depreciation release on disposals	172,647	-	165,245	860,238	903,856	30,792	2,132,778
Closing net book amount	154,685,206	589,291	317,820	23,927,260	7,640,814	49,446	187,209,837
<b>At 31 March 2021</b>							
Cost or valuation	157,231,347	589,291	1,382,084	57,672,334	17,688,347	687,954	235,251,357
Accumulated depreciation	(2,546,141)	-	(1,064,264)	(33,745,074)	(10,047,533)	(638,508)	(48,041,520)
Net book amount	154,685,206	589,291	317,820	23,927,260	7,640,814	49,446	187,209,837
<b>Year ended 31 March 2022</b>							
Opening net book amount	154,685,206	589,291	317,820	23,927,260	7,640,814	49,446	187,209,837
Additions	1,421,573	1,652,452	165,956	1,215,238	430,645	-	4,885,864
Commissioned assets	24,759	(202,502)	-	177,743	-	-	-
Disposals	-	-	-	(109,559)	-	-	(109,559)
Depreciation charge	(852,982)	-	(157,876)	(5,460,896)	(1,630,378)	(31,310)	(8,133,442)
Closing net book amount	155,278,556	2,039,241	325,900	19,749,786	6,441,081	18,136	183,852,700
<b>At 31 March 2021</b>							
Cost or valuation	158,677,679	2,039,241	1,548,040	58,955,756	18,118,992	687,954	240,027,662
Accumulated depreciation	(3,399,123)	-	(1,222,140)	(39,205,970)	(11,677,911)	(669,818)	(56,174,962)
Net book amount	155,278,556	2,039,241	325,900	19,749,786	6,441,081	18,136	183,852,700



## 4. Property, plant and equipment *continued*

Bank borrowings in the name of group undertakings are secured on the group's land and buildings (refer to Note 18).

### Fair valuation of property

The Group's land and buildings, within property, plant and equipment were last revalued by an independent professionally qualified valuer on 31 March 2019. The book value of the property had been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 15). On 31 March 2020, the directors reassessed the property's valuation in view of the COVID 19 pandemic and resulting restrictions on the hospitality industry, as mandated by the Health Authorities, together with the closure of ports, which have significantly impacted the group's operations. The 2020 valuation reassessment was primarily based on revised projected income streams which took into consideration a lower business activity in the forthcoming years, until reaching the 2019 level of business and assumed normality by 2024. These assumptions had resulted in a revised valuation surplus that was €11 million lower than that recognised in 2019. This difference was accordingly adjusted as at 31 March 2020 and debited to the revaluation reserve, net of applicable deferred income taxes.

As at 31 March 2021 and 2022, the directors performed a similar assessment to that performed in the preceding year taking into consideration how the COVID 19 pandemic developed and how this impacted the group's business activities. Accordingly, the 2022 valuation reassessment was based on updated projected income streams taking into consideration the experiences of 2020 and 2021, together with a gradual increase in the business activity in the next few years, until reaching a normalised level of business between 2023 and 2025.

The hospitality and leisure operations were one of the hardest hit sectors of the economy; with the group's hotels closed for a number of months as imposed by the Health Authorities. However, at the date that these financial statements have been authorised for issue, the group hotels have gradually picked up some sustainable business activity. The projections have been updated in view of developments and for the financial year ending 31 March 2023 an EBITDA in the range of 93% and 100% of a stable year level was assumed and thereafter, the business activity was extended gradually until reaching the stable year level between and 2023 and 2025. The assumptions for the 2022 assessment did not result in any material impact on the group's property fair value and the directors are of the opinion that the related carrying amount as at 31 March 2022 is not materially different from the respective fair value.

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

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

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

## 4. Property, plant and equipment *continued*

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

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

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

### Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by third party qualified valuers. The Group's and company's policy is to revalue land and buildings at least every three years. These reports are based on both:

- information provided by the group which is derived from the respective group undertaking's financial systems and is subject to the entity's overall control environment; and
- assumptions and valuation models used by the valuer; with assumptions being typically market related and based on professional judgement and market observation.

The Group's Board of directors review the valuation report and then consider it as part of its overall responsibilities. At the end of a reporting period, when an external valuation is not performed, the directors assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment of the Group's projected income streams.



## 4. Property, plant and equipment *continued*

### Valuation techniques

The external valuation of the Level 3 property as at 31 March 2019 has been performed using the discounted cash flow approach. Similarly, the assessments performed by the directors as at 31 March 2022 and 2021 were also performed using the discounted cash flow approach, as discussed earlier. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuation has been performed using unobservable inputs. The significant inputs to the approach used are generally those described below:

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

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

## 4. Property, plant and equipment *continued*

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

Description by class based on highest and best use	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	DCF approach	EBITDA (aggregate for both hotels)	€4,109,000 in 2021 increasing gradually until reaching to €22,405,000 in 2024
		Growth rate	2% after 2024
		Discount rate	7.6% (post tax)

With respect to the DCF approach, an increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

At 31 March 2022 and 2021, 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:

	2022	2021
	€	€
Cost	72,919,768	71,473,436
Accumulated depreciation	(5,934,621)	(5,274,990)
<b>Net book amount</b>	<b>66,985,147</b>	66,198,446

## 5. Investment property

	GROUP	
	2022	2021
	€	€
<b>Year ended 31 March</b>	<b>78,049,862</b>	74,898,044
Opening cost and carrying amount	2,609,970	3,151,818
Additions resulting from subsequent expenditure		
Closing cost and carrying amount	<b>80,659,832</b>	78,049,862



## 5. Investment property *continued*

The group's investment property represents property title in the name of DB San Gorg Property Limited, a wholly owned subsidiary of the parent company. DB San Gorg Property Limited entered into a 99 year concession agreement with the Government of Malta and the Government Property Department on 1 February 2017 for the acquisition of three portions of land having a total surface area of circa 24,000 sqm. The said land is located in St Julian's. This property, subject to the securing of all necessary development permits, is earmarked as a mixed use development encompassing a five star hotel, residential tower, shopping mall, large underground car park and other amenities to complement the project. During the preceding financial year, the company has submitted an application for a revised downscaled development plan for the City Centre project with the Planning Authority, which was eventually approved during the current financial year. However, such approval was subject to an appeal process, which appeal was in fact lodged by third parties during the current financial year. The outcome of this appeal was still not concluded as at the date that these financial statements have been authorised for issue.

The contract of acquisition of the emphyteutical grant and related acquisition costs are payable over an extended period of time (refer to Note 17) and was therefore discounted to its present value of €60.1 million at the date of purchase. The rate applied in discounting the future outflows to present value, was 3.5%, based on the market interest rate that was available to the group in 2017.

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

As at 31 March 2022 and 2021, following an assessment by the directors on the basis of the amounts presently in force, the fair value of the property is deemed to fairly approximate its carrying amount. Furthermore, the directors considered it appropriate to recognise the respective assets and liabilities arising from the concession agreement referred to above, on the basis that they believe that the City Centre project will materialise in a way that it is not significantly different from the submitted development plans and the formal commitment that the company has from its parent undertaking that it will provide the necessary financial support with respect to the project and to enable the subsidiary to meet its obligations as and when they fall due.

During the current financial year, the said subsidiary continued incurring subsequent expenditure on the acquired land. The additions for 2022, disclosed in the table above, also include capitalised borrowing costs of €1,864,520 (2021: €1,748,640) representing the imputed interest component on the amounts due to the Government (refer to Note 17), and other capitalised interest costs of €247,513 (2021: €329,199). A weighted average capitalisation rate of 3.5% (2021: 3.5%) was utilised in this respect.

## 6. Intangible assets

	GROUP	
	2022	2021
	€	€
<b>Franchise license rights</b>		
<b>Year ended 31 March</b>		
Opening net book amount	890,439	909,127
Additions	88,031	25,000
Amortisation charge	(70,872)	(43,688)
Closing net book amount	907,598	890,439
<b>At 31 March</b>		
Cost	4,012,143	3,924,112
Accumulated amortisation	(3,104,545)	(3,033,673)
Net book amount	907,598	890,439

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	
	2022	2021
	€	€
<b>Year ended 31 March</b>		
Opening and closing cost and carrying amount	36,512,741	36,512,741



## 7. Investments in subsidiaries continued

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

	Registered office	Class of shares held	Percentages of shares held	
			2022	2021
DB Catering & Events Ltd <i>(in dissolution)</i>	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, Mellieha, Malta	Ordinary shares	100%	100%
SA Marketing Company Limited	Grand Hotel Mercure San Antonio Tourists Street, St. Paul's Bay, Malta	Ordinary shares	100%	100%
SD Finance plc	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
S.R.G.N. Company Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares		
Sea Port Franchising Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%

## 7. Investments in subsidiaries continued

	Registered office	Class of shares held	Percentages of shares held	
			2022	2021
Seabank Hotel and Catering Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares Preference shares	100% 100%	100% 100%
Silverstars Boat Chartering Limited <i>(struck off on 3 June 2022)</i>	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%
DB Group Franchising Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary shares	100%	100%
DB Lifestyle Group Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	-
DB Lifestyle operation Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	-
DB lifestyle Real Estate Limited	5 Stratford Place London, England W1C 1AX	Ordinary shares	100%	-

The shareholdings in DB San Gorg Property Limited, SD Finance plc, Debar Limited, DB Group Franchising Limited, DB Catering & Events Ltd, Seabank Hotel and Catering Limited and db Lifestyle Group are held directly by SD Holdings Limited. The shareholding in Hotel San Antonio Limited is held equally between SD Holdings Limited and Seabank Hotel and Catering Limited. The shareholdings in J.D. Catering Limited, S.R.G.N. Company Limited and Sea Port Franchising Limited are held through Seabank Hotel and Catering Ltd, whilst the shareholdings in Evergreen Travel Ltd and SA Marketing Company Ltd are held through Hotel San Antonio Limited. Similarly, the shareholding in db Lifestyle Operations Limited and db Lifestyle Real Estate Limited are held through DB Lifestyle Group Limited.

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

## 8. Investments in associates

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Year ended 31 March</b>				
Opening carrying amount	11,556,153	9,368,405	5,460	5,460
Share of results	4,468,386	2,187,748	-	-
Dividend received	(135,000)	-	-	-
Closing carrying amount	15,889,539	11,556,153	5,460	5,460
<b>At 31 March</b>				
Cost	1,680,323	1,680,323	5,460	5,460
Share of results and reserves	14,209,216	9,875,830	-	-
Closing carrying amount	15,889,539	11,556,153	5,460	5,460

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

	Registered office	Class of shares held	Percentages of shares held	
			2022	2021
DP Road Construction Limited	Seabank Hotel, Marfa Road, Ghadira Bay, Mellieha, Malta	Ordinary A shares Ordinary C shares	45% 25%	45% 25%
Malta Healthcare Caterers Limited	JPR Buildings Level 1, Taz-Zwejt Road, San Gwann, Malta	Ordinary shares	50%	50%
Porto Azzurro Limited	Ridott Street, Xemxija Hill, St.Paul's Bay, Malta	Ordinary shares	33.3%	33.3%
Porto Azzurro Resort Club Limited	Porto Azzurro Residence Ridott Street, Xemxija Hill, St.Paul's Bay, Malta	Ordinary shares	33.3%	33.3%
Sky Gourmet Malta Inflight Services Limited	Old Terminal Building, St. Thomas Road, Luqa, Malta	Ordinary shares	30%	30%
Sky Gourmet Malta Limited	Old Terminal Building, St. Thomas Road, Luqa, Malta	Ordinary shares	30%	30%

## 8. Investments in associates continued

	Registered office	Class of shares held	Percentages of shares held	
			2022	2021
DB Gauci Shopping Mall Limited	Big Bon, Head office, Santa Tereza Square, off Naxxar Road Birkirkara Malta	Ordinary shares	45%	45%
JSSR Turnkey Projects Limited	The Food Factory BLB014A, Bulebel Industrial Estate, Zejtun, Malta	Ordinary shares	25%	25%

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

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

The principal and significant associates of the group are Malta Healthcare Caterers Limited and Sky Gourmet Malta Limited. The main activity of the Malta Healthcare Caterers Group, is the provision of healthcare catering services to hospitals and retirement homes, together with the provision of nursing, medical and clinical services; whilst 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.

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

	MALTA HEALTHCARE CATERERS LIMITED		SKY GOURMET MALTA LIMITED	
	As at 31 March		As at 31 March	
	2022	2021	2022	2021
	€	€	€	€
Non current assets	31,787,614	32,943,773	10,962	88,668
Current assets	55,190,153	49,262,118	2,479,639	2,340,382
Non current liabilities	(29,485,280)	(34,153,230)	-	-
Current liabilities	(31,896,224)	(31,243,926)	(1,330,059)	(1,194,784)
Net assets	25,596,263	16,808,735	1,160,542	1,234,266



## 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 March		Year ended 31 March	
	2022	2021	2022	2021
	€	€	€	€
Revenue	90,430,248	78,753,891	2,582,583	1,411,584
Profit/(loss) for the year				
total comprehensive income	8,727,011	4,594,782	306,011	(221,313)
Dividend received from associate	-	-	135,000	-

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

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

2022	Assets	Liabilities	Revenues	(Loss)/profit
	€	€	€	€
Porto Azzurro Limited	770,093	(452,154)	148,968	11,546
Sky Gourmet Malta Inflight Services Limited	137,468	(3,315)	152,600	1,532
2021				
Porto Azzurro Limited	745,822	(439,409)	59,356	(43,783)
Sky Gourmet Malta Inflight Services Limited	134,608	(1,987)	83,463	534

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

## 9. Right-of-use assets

The Group leases a number of immovable properties and motor vehicles; which leases are deemed to be within scope of IFRS 16 'Leases'.

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

	Properties €	Motor vehicles €	Total €
As at 1 April 2020	6,051,407	99,541	6,150,948
Additions	653,440	82,694	736,134
Impact of derecognition of leased assets	-	(17,938)	(17,938)
Amortisation charge	(631,684)	(29,546)	(661,230)
As at 31 March 2021	6,073,163	134,751	6,207,914
As at 1 April 2021	6,073,163	134,751	6,207,914
Additions	4,517,429	-	4,517,429
Impact of derecognition of leased assets	-	(28,491)	(28,491)
Amortisation charge	(766,039)	(30,081)	(796,120)
As at 31 March 2022	9,824,553	76,179	9,900,732

The income statement reflects the following amounts relating to leases:

	2022 €	2021 €
Amortisation charge of right-of-use assets	796,120	661,230
Interest expense (included in finance costs) (Note 26)	373,140	320,352
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	307,748	41,788
Rent rebates in relation to COVID-19 (Note 20)	(207,968)	(344,137)

## 10. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2021: 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% (2021: 10%).

	2022	2021
	€	€
<b>Year ended 31 March</b>		
At beginning of year	<b>(13,602,475)</b>	(18,762,326)
<b>Credited/(charged) to profit or loss (Note 27):</b>		
Unabsorbed capital allowances	<b>(879,847)</b>	2,462,932
Unutilised investment tax credits	<b>(75)</b>	7,917
Unutilised trading losses	<b>479,218</b>	2,682,552
Temporary differences on property, plant and equipment and provisions for credit loss allowances	<b>(225,439)</b>	(108,661)
Temporary differences on right-of-use assets	<b>113,242</b>	41,076
Realisation through asset use	<b>76,939</b>	76,940
Unrecognised deferred tax in prior year	-	(2,905)
At end of year	<b>(14,038,437)</b>	(13,602,475)

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

## 10. Deferred taxation continued

	GROUP	
	2022	2021
	€	€
<b>The balance at 31 March represents:</b>		
Unutilised tax credits arising from:		
Unabsorbed capital allowances	<b>1,602,946</b>	2,482,793
Investment tax credits	<b>1,176,527</b>	1,176,602
Unutilised trading losses	<b>3,161,770</b>	2,682,552
Taxable temporary differences arising from depreciation of property, plant and equipment	<b>(5,524,305)</b>	(5,298,866)
Taxable temporary differences arising from revaluation of property, plant and equipment	<b>(14,720,867)</b>	(14,788,540)
Taxable temporary differences arising from intra-group transactions	<b>(80,959)</b>	(90,225)
Deductible temporary differences arising from right-of-use assets	<b>203,399</b>	90,157
Deductible temporary differences on provisions for credit loss allowances	<b>143,052</b>	143,052
	<b>(14,038,437)</b>	(13,602,475)
<b>Disclosed as follows:</b>		
Deferred tax assets	<b>4,580,712</b>	3,986,163
Deferred tax liabilities	<b>(18,619,149)</b>	(17,588,638)
	<b>(14,038,437)</b>	(13,602,475)

The company has an unrecognised deferred tax asset amounting to €16,868 (2021: Nil) arising on unutilised tax losses.



## 11. Trade and other receivables

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>The balance at 31 March represents:</b>				
<b>Non-current</b>				
Amounts owed by subsidiaries	-	-	24,453,236	26,321,039
Other receivables	335,337	210,168	-	-
	<b>335,337</b>	210,168	<b>24,453,236</b>	26,321,039
<b>Current</b>				
Trade receivables	3,270,347	1,643,710	-	-
Less: credit loss allowances	(408,721)	(408,721)	-	-
	<b>2,861,626</b>	1,234,989	-	-
Advance payments to suppliers	2,725,350	1,260,655	-	-
Amounts owed by shareholder	1,306,631	-	803,638	-
Amounts owed by subsidiaries	-	-	2,121,202	705,880
Amounts owed by associates	2,446,804	2,342,182	1,694,012	1,723,392
Amounts owed by other related parties	201,573	166,780	25,000	25,000
Other receivables	962,211	885,494	23,749	10,385
Indirect taxation	17,436	73,655	-	1,796
Prepayments and accrued income	1,647,222	1,235,128	65,465	-
	<b>12,168,853</b>	7,198,883	<b>4,733,066</b>	2,466,453

Amounts owed by shareholder are unsecured, interest free and repayable on demand.

## 11. Trade and other receivables continued

Non-current amounts owed by subsidiaries include an amount of €17,000,000 (2021: €17,000,000) relating to the consideration receivable from the sale of intellectual property to DB Group Franchising Limited. These amounts are unsecured, interest free and have been earmarked as additional capital required by the subsidiary, the terms of which will be concluded in the foreseeable future. Other non-current amounts owed by subsidiaries of €7,453,236 (2021: €9,321,039) are unsecured, subject to interest of 2.5% plus 3-month Euribor, subject to a subsidy of 2.4% for the first two years after drawdown, in line with the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB). Accordingly, the effective interest rate as at 31 March 2022 is of 0.1%. The loans are repayable as follows:

	COMPANY	
	2022	2021
	€	€
<b>Between 1 and 2 years</b>	<b>2,420,833</b>	2,098,005
<b>Between 2 and 5 years</b>	<b>5,032,403</b>	7,223,034
	<b>7,453,236</b>	9,321,039

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

As at 31 March 2022, advance payments to suppliers are supported by collateral in the form of bank guarantees for an amount of €1,000,000 (2021: €1,000,000) as security for the related services that are due to a subsidiary.

Included in current other receivables is a payroll grant receivable from the Government amounting to €Nil (2021: €171,915) relating to the COVID-19 pandemic schemes.

## 12. Inventories

	GROUP	
	2022	2021
	€	€
Food and beverage	654,354	475,959
Merchandise	439,401	559,349
Consumables and other inventory	378,003	299,926
	<b>1,471,758</b>	1,335,234

## 13. Cash and cash equivalents

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

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Cash at bank and in hand	40,188,342	31,819,565	35,440,917	26,502,324
Bank overdrafts (Note 18)	(721,983)	(237,484)	-	-
	<b>39,466,359</b>	31,582,081	<b>35,440,917</b>	26,502,324

## 14. Share capital

	COMPANY	
	2022	2021
	€	€
<b>Authorised</b>		
5,000,000 Ordinary shares of €1 each	5,000,000	5,000,000
<b>Issued and fully paid</b>		
4,000,000 Ordinary shares of €1 each	4,000,000	4,000,000

## 15. Revaluation reserve

	GROUP	
	2022	2021
	€	€
<b>Year ended 31 March</b>		
At beginning of year	74,228,964	74,354,642
Transfer upon realisation through asset use, net of deferred tax	(125,679)	(125,678)
At end of year	74,103,285	74,228,964

The revaluation reserve represents the revaluation surplus arising on the valuation of the group's land and buildings and is non-distributable.

## 16. Other reserves

	GROUP	
	2022	2021
	€	€
Capital redemption reserve	11,628,279	11,628,279
Incentives and benefits reserve	1,240,807	1,240,807
Other reserves	32,612	61,078
	12,901,698	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.

The incentives and benefits reserve represents transfers effected by a subsidiary for the net amount of profits subject to income tax at a reduced rate of tax, in accordance with Articles 24B and 36 of the Business Promotion Act. No transfers to the incentives and benefits reserve have been made during the current and the preceding financial years, as no income was subject to tax at reduced rates. Such profits are set aside for the exclusive purpose of financing the upgrading projects within the qualifying company as approved by Malta Enterprise Corporation in accordance with Article 6 of the Business Promotion Act. The incentives and benefits reserve is not distributable and will be retained for a period of eight years after which it can be distributed by means of a bonus issue.

## 17. Trade and other payables

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Non-current</b>				
Amounts due to Government in relation to purchase of land	46,781,751	48,013,184	-	-
Payables with respect to capital expenditure	629,344	-	-	-
Contract liabilities - deferred income arising on long term rights of use sales	12,057,342	12,001,121	-	-
	59,468,437	60,014,305	-	-
<b>Current</b>				
Trade payables	3,317,574	3,524,196	-	-
Amounts due to Government in relation to purchase of land	5,982,160	4,420,651	-	-
Payables and accruals with respect to capital expenditure	1,760,718	1,064,206	-	-
<b>Contract liabilities</b>				
- Advance deposits from tour operators and other third parties	1,460,298	1,846,005	-	-
- Deferred income arising on long term rights of use sales	916,842	753,139	-	-
Amounts owed to shareholder	-	973,685	-	972,897
Amounts owed to subsidiaries	-	-	66,688,314	55,935,978
Amounts owed to associates	14,458,921	11,465,668	-	-
Amounts owed to other related parties	641,611	643,478	2,798,342	2,798,342
Other payables	166,834	144,344	762	898
Indirect taxation and social security	2,781,744	824,792	4,977	-
Accrued interest payable to bond holders	2,640,406	2,640,406	-	-
Other accruals	1,903,729	1,585,299	2,350	4,588
	36,030,837	29,885,869	69,494,745	59,712,703

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	
	2022	2021
	€	€
Due within 1 year	5,982,160	4,420,651
Due between 1 and 2 years	2,991,080	2,991,080
Due between 2 and 5 years	4,710,966	6,116,098
Due after more than 5 years	160,964,400	162,550,348
	174,648,606	176,078,177
Less: imputed interest component	(121,884,695)	(123,644,342)
	52,763,911	52,433,835



## 17. Trade and other payables continued

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

The maturity of this liability is as follows:

	GROUP	
	2022	2021
	€	€
Due within 1 year	487,444	-
Due between 1 and 2 yearst	690,546	-
	<b>1,177,990</b>	-
Less: imputed interest component	(66,266)	-
	<b>1,111,724</b>	-

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 (2021: €1,488,101) owed by a subsidiary to the parent company which are subject to interest at 4.8% (2021: 4.8%). All the other amounts are interest free.

*Contract liabilities – recognised in revenue during 2022*

Revenue recognised in profit or loss during the financial year ended 31 March 2022 that was included in the balances of contract liabilities as at the end of the preceding financial year amounted to €1,441,576 (2021: €1,275,426). All movements in contract liabilities during the current and preceding financial years relates to business variations.

## 18. Borrowings

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Non-current</b>				
Bank loans	13,630,344	15,501,822	7,453,236	9,321,039
Loan from subsidiary	-	-	1,488,101	1,488,101
650,000 4.35% Bonds 2017 – 2027	64,490,922	64,401,010	-	-
	<b>78,121,266</b>	79,902,832	<b>8,941,337</b>	10,809,140
<b>Current</b>				
Bank overdrafts	721,983	237,484	-	-
Bank loans	4,046,701	2,404,005	2,092,327	678,960
	<b>4,768,684</b>	2,641,489	<b>2,092,327</b>	678,960
Total borrowings	<b>82,889,950</b>	82,544,321	<b>11,033,664</b>	11,488,100

## 18. Borrowings continued

### Bonds

By virtue of an offering memorandum dated 27 March 2017, SD Finance plc (the Issuer) issued €65,000,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.35% which is payable annually in arrears, on 25 April of each year. The bonds are redeemable at par and are due for redemption on 25 April 2027. The bonds are guaranteed by SD Holdings Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 May 2017. The quoted market price as at 31 March 2022 and 2021 for the bonds was €100.25 and €101.50 respectively, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the current reporting period, bonds with a face value of €537,327 (2021: €535,000) were held by a company director.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Issuer to SD Holdings Limited (the company's parent undertaking and guarantor of the bonds) and to Hotel San Antonio Limited and Seabank Hotel and Catering Limited (both fellow subsidiaries of the Issuer). The principal purposes for these advances were the re-financing of existing banking facilities of the respective borrower, the financing of the redemption of the redeemable preference shares of Seabank Hotel and Catering Limited (refer to Note 16) and for the general corporate funding purposes of the db Group.

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	2022	2021
	€	€
Original face value of bonds issued	65,000,000	65,000,000
Bond issue costs	(924,036)	(924,036)
Accumulated amortisation	414,958	325,046
Closing net book amount of bond issue costs	(509,078)	(598,990)
Amortised cost and closing carrying amount of the bonds	<b>64,490,922</b>	64,401,010

### Bank borrowings

During 2020, SD Holdings Limited successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB). These loans were then advanced to various components within the db Group at the same terms and conditions as issued by the respective bank. In this respect, SD Holdings Limited advanced €10,000,000 to its subsidiaries (refer to Note 11 for information relating to balances as at 31 March 2022 and 2021). The loan is subject to interest of 2.5% plus 3-month Euribor. However, in line with the MDB COVID Guarantee Scheme, the loan benefits from a subsidy of 2.4% for the first two years. Accordingly, the effective interest rate as at 31 March 2022 and 2021 is of 0.1%.

## 18. Borrowings continued

The group's and the company's banking facilities as at 31 March 2022 amounted to €80,677,459 (2021: €82,129,091) and €10,000,000 (2021: €10,500,000) respectively. The group's bank facilities are mainly secured by:

(a) special hypothecs over the group's property up to an amount of €75,600,000 (2021: €75,600,000);

(b) general hypothecs over the group's present and future assets up to an amount of €85,600,000 (2021: €85,500,000);

(c) pledges over specific insurance policies of group undertakings;

(d) letters of undertaking.

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

	GROUP		COMPANY	
	2022	2021	2022	2021
Bank overdrafts	4.0%	4.0%	-	-
Bank loans	3.9%	3.9%	0.1%	0.1%

Maturity of non-current bank borrowings:

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Between 1 and 2 years	4,511,649	4,087,481	2,420,833	2,098,005
Between 2 and 5 years	9,118,695	11,301,742	5,032,403	7,223,034
Over 5 years	-	112,599	-	-
	<b>13,630,344</b>	<b>15,501,822</b>	<b>7,453,236</b>	<b>9,321,039</b>

### 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 0.15% (2021: 0.28%). The loans are unsecured and repayable by not later than 10 April 2027.

## 19. Deferred government grants

	GROUP	
	2022	2021
	€	€
At beginning of the year	4,820	9,641
Credited to profit or loss:		
- Annual amortisation related to assets	(4,820)	(4,821)
At end of year	-	4,820
<b>At 31 March</b>		
Non-current	-	-
Current	-	4,820
	<b>-</b>	<b>4,820</b>

## 20. Lease liabilities

	Properties	Motor vehicles	2021
	€	€	€
<b>As at 1 April 2020</b>	6,187,189	104,796	6,291,985
Additions	653,440	82,694	736,134
Impact of derecognition of leased assets	-	(18,414)	(18,414)
Interest charges	316,803	3,549	320,352
COVID-19 lease concessions	(344,137)	-	(344,137)
Payments effected - total cash outflows	(439,946)	(37,464)	(477,410)
<b>As at 31 March 2021</b>	<b>6,373,349</b>	<b>135,161</b>	<b>6,508,510</b>
Non-current	5,822,913	104,308	5,927,221
Current	550,436	30,853	581,289
Total lease liabilities as at 31 March 2021	<b>6,373,349</b>	<b>135,161</b>	<b>6,508,510</b>



## 20. Lease liabilities continued

	Properties	Motor vehicles	2021
	€	€	€
<b>As at 1 April 2020</b>	6,373,349	135,161	6,508,510
Additions	4,517,429	-	4,517,429
Impact of derecognition of leased assets	-	(28,491)	(28,491)
Interest charges	368,538	4,602	373,140
COVID-19 lease concessions	(207,968)	-	(207,968)
Payments effected - total cash outflows	(703,811)	(34,357)	(738,168)
<b>As at 31 March 2021</b>	<b>10,347,537</b>	<b>76,915</b>	<b>10,424,452</b>
Non-current	9,695,459	54,232	9,749,691
Current	652,078	22,683	674,761
<b>Total lease liabilities as at 31 March 2021</b>	<b>10,347,537</b>	<b>76,915</b>	<b>10,424,452</b>

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

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

As a result of the COVID-19 pandemic, rent concessions have been granted to group undertakings. The group has accounted for such concessions as variable lease payments in the period in which they are granted.

## 21. Revenue

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

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Hospitality and ancillary services	<b>23,708,895</b>	7,648,344	-	-
Food and beverage	<b>14,097,753</b>	8,241,316	-	-
Merchandise and other retailing activities	<b>1,741,873</b>	1,154,949	-	-
Other revenue	<b>811,325</b>	206,156	-	-
	<b>40,359,846</b>	17,250,765	-	-

Unfulfilled performance obligations, which are the services that the Group is obliged to provide to customers during the remaining fixed term contract, as at 31 March 2022 and 2021, relate to the amounts disclosed under 'contract liabilities' in Note 17 to the financial statements. The Group's revenue that is recognised over time is also disclosed in Note 17.

## 22. Expenses by nature

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Employee benefit expense (Note 23)	<b>8,760,937</b>	5,309,588	-	-
Amortisation of intangible assets (Note 6)	<b>70,872</b>	43,688	-	-
Amortisation of right-of-use assets (Note 9)	<b>796,120</b>	661,230	-	-
Depreciation of property, plant and equipment (Note 4)	<b>8,133,442</b>	8,135,208	-	-
Utilities and similar charges	<b>1,352,862</b>	865,333	-	-
Operating supplies and related expenses	<b>9,044,275</b>	4,390,978	-	-
Repairs and maintenance costs	<b>964,780</b>	1,239,819	-	-
Marketing, advertising costs and Commissions	<b>768,140</b>	369,266	-	-
Franchise royalties	<b>325,224</b>	165,719	-	-
Variable lease rentals	<b>307,748</b>	41,788	-	-
COVID-19 rent rebates (Note 20)	<b>(207,968)</b>	(344,137)	-	-
Amounts written off in respect of trade receivables (included in 'Administrative expenses')	-	2,634	-	-
Other expenses	<b>2,884,619</b>	2,096,284	<b>25,984</b>	11,345
Total cost of sales, selling and administrative expenses	<b>33,201,051</b>	22,977,398	<b>25,984</b>	11,345

## 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	
	2022	2021	2022	2021
	€	€	€	€
Annual statutory audit	110,300	99,650	1,700	1,500
Tax advisory and compliance services	20,585	20,430	1,065	615
Other non audit services	63,900	17,950	8,200	6,250
	<b>194,785</b>	138,030	<b>10,965</b>	8,365

## 23. Employee benefit expense

	GROUP	
	2022	2021
	€	€
Wages and salaries (including directors' remuneration)	8,232,875	5,210,398
Social security costs	505,740	448,626
	<b>8,738,615</b>	5,659,024
Recharged from/(to) associates	22,322	(349,436)
	<b>8,760,937</b>	5,309,588

Wages and salaries for 2022 are presented net of a payroll grant receivable from the Government amounting to €4,739,526 (2021: €5,024,970) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

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

	GROUP	
	2022	2021
Direct	588	576
Administration	72	71
	<b>660</b>	647

## 24. Investment income

	COMPANY	
	2022	2021
	€	€
Dividend income	-	4,000,000

## 25. Other operating income

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Amortisation of deferred Government grants (Note 19)	4,820	4,821	-	-
Operating lease income	263,397	159,566	-	-
Insurance business interruption refunds	3,075,529	-	-	-
Other income	458,941	163,474	-	18,750
	<b>3,802,687</b>	327,861	-	18,750

## 26. Finance income and finance costs

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Finance income</b>				
Interest on amounts owed by subsidiary	-	-	82,270	110,475
Finance income arising from short-term deposits	53,979	15,506	42,102	14,930
	<b>53,979</b>	15,506	<b>124,372</b>	125,405

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Finance costs</b>				
Bond interest expense	2,917,413	2,913,811	-	-
Interest on bank borrowings and other loans	104,890	80,018	10,071	4,491
Interest on loan from subsidiary	-	-	67,709	67,709
Finance cost on lease liabilities	373,140	320,352	-	-
Imputed interest component on deferred income arising on long-term rights of use sales	580,319	551,597	-	-
Other finance charges	420,154	63,377	2,256	2,157
	<b>4,395,916</b>	3,929,155	<b>80,036</b>	74,357



## 27. Tax expense/(credit)

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
<b>Current taxation:</b>				
Current tax expense	88,137	69,547	6,315	381,499
Under provision in prior year	-	73,374	2,240	-
Group relief	-	-	-	15,233
Deferred taxation (Note 10)	435,962	(5,159,851)	-	-
Tax expense/(credit)	<b>524,099</b>	(5,016,930)	<b>8,555</b>	396,732

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	
	2022	2021	2022	2021
	€	€	€	€
Profit/(loss) before tax	11,087,931	(7,124,673)	18,352	4,058,453
Tax on profit/(loss) at 35%	3,880,776	(2,493,636)	6,423	1,420,459
Tax effect of:				
Share of results of associates	(1,563,935)	(765,712)	-	-
Expenses not deductible for tax purposes	107,544	154,034	-	2,240
Income not subject to tax or charged at reduced rates	(322,315)	(340,703)	(14,736)	(1,026,031)
Unrecognised temporary differences and unutilised tax credits	113,105	-	-	-
Unrecognised deferred tax in prior year	29,789	41,536	-	-
Unrecognised deferred tax in current year	-	-	16,868	-
(Over)/under provision in prior year	(35,032)	73,384	-	64
Incentives in respect of intellectual property of a group undertaking	(1,685,833)	(1,685,833)	-	-
Tax charge/(credit) in the accounts	<b>524,099</b>	(5,016,930)	<b>8,555</b>	396,732

## 28. Directors' remuneration

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Salaries and other emoluments	909,726	920,035	-	-

## 29. Dividends paid

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Gross and net dividends on ordinary shares	-	4,000,000	-	4,000,000
Dividends per share	-	1.00	-	1.00

## 30. Cash generated from operations

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

	GROUP		COMPANY	
	2022	2021	2022	2021
	€	€	€	€
Operating profit/(loss)	10,961,482	(5,398,772)	(25,984)	4,007,405
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	8,133,442	8,135,208	-	-
Amortisation of intangible assets (Note 6)	70,872	43,688	-	-
Amortisation of right-of-use assets (Note 9)	796,120	661,230	-	-
Amortisation of deferred Government grants (Note 19)	(4,820)	(4,821)	-	-
Loss on disposal of property, plant and equipment	-	35,187	-	-
Movement in credit loss allowances	-	-	-	-
COVID-19 rent rebates (Note 20)	(207,968)	(344,137)	-	-
Changes in working capital:				
Inventories	(136,524)	428,950	-	-
Trade and other receivables	(5,095,139)	4,666	(853,246)	312,371
Trade and other payables	259,247	(3,371,277)	9,773,487	2,181,844
Cash generated from operations	<b>14,776,712</b>	189,922	<b>8,894,257</b>	6,501,620

### Net debt reconciliation

Other than as disclosed in (Note 18) 'Borrowings', with respect to the amortisation of bond issue costs, all the movements in the group's and the company's net debt mainly relate to cash flow movements and disclosed as part of the financing activities in the statements of cash flows.

## 31. Commitments

### Capital commitments

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

	GROUP	
	2022	2021
	€	€
Authorised but not contracted for	<b>165,800,000</b>	165,000,000

### Operating lease commitments – where a group undertaking is a lessor

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

	GROUP	
	2022	2021
	€	€
Less than one year	<b>263,397</b>	159,566

Operating lease receivables relate to property concessions.

## 32. Contingencies

At 31 March 2022, the group's and the company's major contingent liabilities were:

- (a)** Guarantees given by the parent company in respect of bank facilities of group undertakings for an amount of €73,000,000 (2021: €72,900,000). At 31 March 2022, the parent company also gave guarantees for an amount of €7,500,000 (2021: €7,500,000) jointly with other group undertakings in respect of bank facilities of a subsidiary.
- (b)** Guarantees given by a group undertaking in respect of bank facilities of associates for an amount of €20,141,650 (2021: €3,375,000).
- (c)** Undertakings given by the parent company to provide the necessary financial support to subsidiaries and associates so as to enable these entities to meet their liabilities and any other obligations as they fall due and to continue as a going concern.
- (d)** Uncalled share capital amounting to €5,590 (2021: €5,590) relating to shares subscribed in associates by a group undertaking and uncalled share capital amounting to €960 (2021: €960) relating to shares subscribed in subsidiaries by the parent company.
- (e)** Guarantees of €703,000 (2021: €693,650) issued by the group's bankers, on behalf of group undertakings in favour of the Planning Authority, in the ordinary course of business.
- (f)** Guarantees and performance bond amounting to €250,000 (2021: €250,000) given to the Commissioner of Land with respect to the acquisition of the land title.
- (g)** Guarantees of €108,500 (2021: €108,500) issued by the group's bankers, on behalf of group undertakings in favour of the Environment and Resources Authority, in the ordinary course of business.

## 32. Contingencies *continued*

- (h)** Guarantees of up to a maximum of €310,606 (2021: €134,606) issued by group undertakings to various third parties in the ordinary course of business.

## 33. Related party transactions

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

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

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

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

Year-end balances with related parties are disclosed in (Notes 11, 17 and 18) to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprises the directors of the parent company and the directors of the other group undertakings. Key management personnel compensation, consisting of the parent company's directors' remuneration has been disclosed in (Note 28). In addition to the amounts disclosed in Note 28, other key management personnel compensation amounted to €229,462 (2021: €Nil).

## 34. Statutory information

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





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