



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

COMPANY ANNOUNCEMENT

Publication of Financial Analysis Summary

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

Quote

SD Finance p.l.c announces that the Financial Analysis Summary, dated 28th September 2020, prepared by MZ Investment Services Limited is available for viewing hereunder.

Unquote

A handwritten signature in black ink, appearing to read 'Shaheryar Ghaznavi', with a horizontal line extending to the right and a small flourish at the end.

Shaheryar Ghaznavi
Company Secretary

28th September 2020
Ref: SDA39

Financial Analysis Summary

28 September 2020

Issuer

SD Finance p.l.c.

Guarantor

SD Holdings Limited



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors SD
Finance p.l.c.
Seabank Hotel
Marfa Road, Ghadira
Mellieha MLH 9064
Malta

28 September 2020

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to SD Finance p.l.c. (the “**Issuer**”) and SD Holdings Limited (the “**Guarantor**” or “**db Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data relating to the Issuer has been extracted from the audited financial statements of the Issuer for the period 20 January 2017 (being date of incorporation) to 31 March 2018 and the years ended 31 March 2019 and 31 March 2020.
- (b) Historical financial data relating to the Guarantor has been extracted from the audited consolidated financial statements of the Guarantor for the three years ended 31 March 2018 to 31 March 2020.
- (c) The forecast data for the year ending 31 March 2021 has been provided by management.
- (d) Our commentary on the results of db Group and on its financial position is based on the explanations provided by management.



MZ INVESTMENT SERVICES

- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of db Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani

Senior Financial Advisor

MZ Investment Services Ltd

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PART 1 – INFORMATION ABOUT THE DB GROUP

1. KEY ACTIVITIES OF THE ISSUER

SD Finance p.l.c. (the “**Issuer**” or “**Company**”) was incorporated in January 2017 as a public limited liability company under the Companies Act with an authorised and fully paid up issued share capital of



€250,000. The principal activity of the Company is to carry on the business of a holding and finance company within db Group.

The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of db Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of db Group.

2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising six directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Arthur Gauci Chief Executive Officer	Robert Debono Non-Executive Director
Stephen Muscat	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Philip Micallef	Independent Non-Executive Director

Mr Arthur Gauci will be resigning from the post of Chief Executive Officer effective 30 September 2020 but will continue to serve as a member of the Board of Directors. The post of Chief Executive Officer will be occupied by Mr Robert Debono from 1 October 2020.

3. KEY ACTIVITIES OF THE GUARANTOR

SD Holdings Limited (the “**Guarantor**” or “**db Group**” or “**Group**”) is the parent holding company of db Group and principally operates, through subsidiary companies, in hospitality, leisure and catering activities. The db Group owns and operates db Seabank Resort Spa, Mellieha Bay and db San Antonio Hotel & Spa, St Paul’s Bay. It also owns and operates the restaurant amenities at Adeera Complex in Mellieha, Nine Lives in Bugibba, and AKI in Valletta, and operates outlets under the Hard Rock Café and Starbucks franchises.

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



4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising six directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

Board of Directors

Silvio Debono	Chairman
Arthur Gauci	Chief Executive Officer
Robert Debono	Director
Victoria Debono	Director
Vincent DeGiorgio	Director
Jesmond Vella	Director

Mr Arthur Gauci will be resigning from the post of Chief Executive Officer effective 30 September 2020. Mr Gauci will continue to serve as a member of the Board and will take up the post of consultant to the Guarantor. The post of Chief Executive Officer will be occupied by Mr Robert Debono from 1 October 2020.

In the execution of the strategic direction, investment and management oversight of the Group, the Board is assisted by the following members of senior management:

Senior Management of db Group

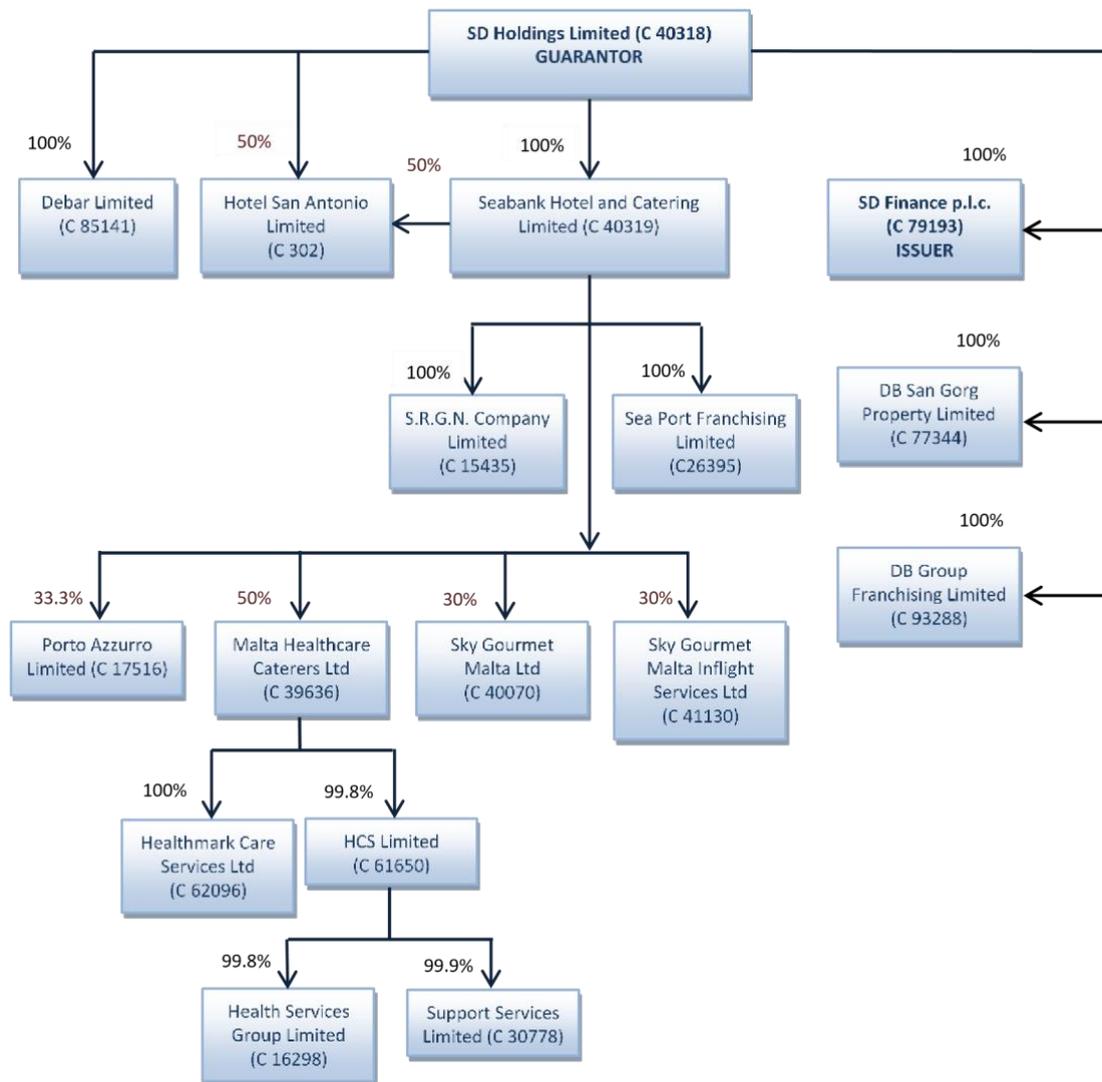
Silvio Debono	Executive Chairman
Arthur Gauci	Chief Executive Officer and Director of Franchise Operations
Vincent DeGiorgio	Director of Hotel Operations
Jesmond Vella	Head of Purchasing and Logistics
Massimo Azzopardi	General Manager of db Seabank Resort & Spa
Bradley Dingli	General Manager of db San Antonio Hotel & Spa
Robert Debono	Director of Healthcare Operations
Trevor Vella	Chief Financial Officer

The weekly average number of employees engaged by the Group during FY2020 amounted to 730 persons (FY2019: 640).

5. DB GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the principal subsidiaries and associates within the organisational structure of db Group and the position within the said group of the Issuer and Guarantor. The complete list of companies forming part of db Group and further information on other investments of db Group are included in the consolidated audited financial statements of the Guarantor for the year ended 31 March 2020. The Group's businesses are described in more detail in Part 2 below.





DB Group Franchising Limited was registered as a new company on 18 September 2019 and commenced its business activity in February 2020. Its primary object is that of acquiring the current intellectual property of db Group. SRGN Company Limited has transferred its brands to the Guarantor for a consideration of €10,000 and in turn, the Guarantor has transferred the brands of its hotels and leisure outlets to DB Group Franchising Limited for a consideration of €17 million. The useful life of the intangible asset is 20 years. As from FY2021, DB Group Franchising Limited will charge a royalty fee to the hotels and leisure companies of db Group based on 3% of turnover.

There were no material changes to the above structure since the last published audited consolidated financial statements of the Guarantor.

6. MAJOR ASSETS OWNED BY DB GROUP

The Group's major assets are included in the consolidated statement of financial position under the headings: 'property, plant & equipment' and 'investment property'. The following is a list of major assets owned by db Group.



SD Holdings Limited			
db Group Major Assets	FY2018	FY2019	FY2020
	€'000	€'000	€'000
db Seabank Resort & Spa	61,300	109,482	98,088
db San Antonio Hotel & Spa	67,600	90,545	89,448
db City Centre	65,501	71,554	74,898
	<u>194,401</u>	<u>271,581</u>	<u>262,434</u>

Source: Consolidated audited financial statements of SD Holdings Limited

Hospitality Operations

On 31 March 2020, the Directors reassessed the valuation of db Group's principal operating properties, db Seabank Resort & Spa and db San Antonio Hotel & Spa, 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 take into consideration a lower business activity in the next few years, until reaching the 2019 level of business and assumed normality by 2024. The assumptions resulted in a revised revaluation surplus that is €11,000,000 lower than that recognised in 2019. This difference was accordingly adjusted and debited to the revaluation reserve, net of applicable deferred income taxes (net amount: €7,150,000).

db City Centre

On 1 February 2017, DB San Gorg Property Limited (a subsidiary company of the Guarantor) entered into a deed of temporary emphyteusis with the Commissioner of Land (on behalf of the Government of Malta) for a site having a total surface area of *circa* 24,000m² and located in St George's Bay, St Julians, Malta. The said property is earmarked for the development of the proposed db City Centre, described in further detail below.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15.0 million, payable over a period of seven years, whereby the first payment of €5.0 million was paid on signing of the said deed. The balance of €10.0 million is payable in seven equal annual instalments as from January 2018. Following Planning Authority approval, a further consideration shall be determined on the full extent of the developable area, which amount shall be due to Government or *vice-versa*, as the case may be, payable over a period of seven years in seven equal annual instalments and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. Stamp duty of *circa* €3.0 million was settled upon signing of deed. The payment of *circa* €8.0 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 shall be payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area



of 51,030m² (comprising residential, office space and garage space). The afore-mentioned annual ground rent shall be temporarily reduced to €1,000 per annum until the earlier of: (a) the issuance of a certificate of completion by an architect; or (b) the lapse of five years from date of deed.

Subject to securing all necessary development permits, the property 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. The aggregate development cost of db City Centre is estimated at *circa* €250 million.

PART 2 – OPERATIONAL DEVELOPMENT

The Group is principally involved in hotel management, operation of food & beverage outlets and other leisure activities, and related services. A divisional analysis of db Group's business is provided hereinafter.

SD Holdings Limited db Group Operational Analysis for the year ended 31 March		2018		2019		2020 Actual	
		Actual		Actual			
		€'000		€'000		€'000	
Revenue		50,259		56,133		59,324	
Hospitals and leisure		40,935	44,517	44,227	Food & beverage and		
merchandise	9,320	11,603	15,079	Other	4	13	
18 EBITDA	20,696	24,844	25,654				
Hospitals and leisure		19,786	22,661	21,200	Food & beverage and		
merchandise	996	2,302	2,972				
Other			(86)	(119)	1,482		

Source: Audited consolidated financial statements of SD Holdings Limited.

Effects of COVID-19

The Group's hospitality and food & beverage operations have been dramatically impacted by the unprecedented COVID-19 pandemic, particularly following the temporary closure of all such



operations in March 2020. During the period of closure, food & beverage outlets operated solely take-out and delivery services.

Although db Group's hotels have reopened for business, bookings are at very low levels and are expected to remain so for the rest of the financial year (ending 31 March 2021). As for other business activities, the Group's restaurants and food & beverage outlets are operating with reduced seating capacity in accordance with the Authority's safety guidelines, and moreover are being adversely impacted by the low inbound tourist numbers.

The situation is very fluid and the actual impact on the performance of the Group's operational activities is highly dependent on the severity and duration of the pandemic.

7. HOSPITALITY AND LEISURE

7.1 DB SEABANK RESORT & SPA

Seabank Hotel and Catering Limited, a subsidiary of the Guarantor, owns the 539-room four-star db Seabank Resort & Spa, which occupies a land area of over 23,000m² and is located in Mellieha Bay, Malta (the "Seabank Hotel"). The Seabank Hotel is an all-inclusive resort with 7 themed restaurants, 4 bars, an external pool, a fitness centre and health spa. In 2015, a new entertainment complex was opened, which includes 3 restaurants, a bowling alley, a sports bar and a children club. The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

db Seabank Resort & Spa		FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)		22,733	24,743	24,338
Gross operating profit/EBITDA (€'000)		12,060	10,293	11,428
Gross operating profit margin (%)		53	42	47
Occupancy level (%)		82	80	83
Revenue per occupied room (RevPOR) (€)	(a)	137	158	138
Gross operating profit per available room (GOPAR) (€)	(b)	22,375	19,132	21,202
Benchmark performance ¹				
Occupancy level (%)		80	83	82
Revenue per occupied room (RevPOR) (€)	(c)	113	117	124
Gross operating profit per available room (GOPAR) (€)	(d)	14,071	14,979	14,233
Revenue Generating Index (RGI)	(a)/(c)	1.21	1.35	1.11
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.59	1.28	1.49

¹Source: MHRA Survey Q4 2019. The data for FY2018, FY2019 and FY2020 comprise calendar years 2017, 2018 and 2019 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses.

The Seabank Hotel continued to perform positively during FY2018 through FY2020 due to: (i) a favourable trend in tourism in Malta; (ii) its advantage as a newly refurbished property over other



competing hospitality establishments; and (iii) the success of management in promoting the allinclusive service package.

The hotel registered an increase of €1.6 million (+7.6%) in revenue in FY2018, to €22.7 million (FY2017: €21.1 million) and a further 8.8% increase in revenue to €24.7 million in FY2019 (+€2.0 million). Thereafter, in FY2020, the hotel reported a marginal decrease of €0.4 million in revenue to €24.3 million. Over the 3-year period under review, the Hotel's occupancy level has been maintained above 80%, while RevPOR has increased from €137 in FY2018 to €158 in FY2019, but decreased back to €138 in FY2020.

As to gross operating profit, the hotel reported a y-o-y increase of €1.2 million in FY2018 (+11.2%) from €10.8 million in FY2017 to €12.1 million. In FY2019, notwithstanding the 8.8% increase in revenue, gross operating profit decreased by €1.8 million (-14.7%) to €10.3 million (FY2018: €12.1 million), resulting in a decline of 11% in gross operating profit margin from 53% in FY2018 to 42% in FY2019. Gross operating profit margin improved by 5 percentage points in FY2020 to 47%, which represented an increase in gross operating profit of €1.1 million, from €10.3 million in FY2019 to €11.4 million.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an allinclusive basis (other than the San Antonio Hotel described hereunder) and therefore, no peer is deemed to be directly comparable to the Seabank Hotel. As such, the Seabank Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Seabank Hotel's occupancy level in the 3-years under review has broadly matched its benchmark at *circa* 80%.

As for RevPOR (which incorporates room revenue, food & beverage and other income), the Seabank Hotel performed better than the four-star industry average in each of the historical years under review (as evidenced by the RGI above 1 in FY2018 to FY2020). Furthermore, the Seabank Hotel generated GOPAR in FY2018 to FY2020 well in excess of the four-star average (GOPGI of 1.59, 1.28 and 1.49 respectively), primarily as a result of the hotel benefiting from economies of scale, allowing for greater flexibility in operations and having a leaner structure.

7.2 DB SAN ANTONIO HOTEL & SPA

Hotel San Antonio Limited, a db Group subsidiary company, owns the 513-room 10-floor four-star db San Antonio Hotel & Spa, located in St Paul's Bay, Malta (the "**San Antonio Hotel**"). The San Antonio Hotel is an all-inclusive hotel with 5 themed restaurants, indoor, outdoor and rooftop pools, a fitness centre, a Hammam spa and conference facilities.

The following table sets out the highlights of the hotel's operating performance for the periods indicated therein:



db San Antonio Hotel & Spa		FY2018	FY2019	FY2020
		Actual	Actual	Actual
Turnover (€'000)		18,202	19,774	19,889
Gross operating profit/EBITDA (€'000)		7,726	12,368	11,834
Gross operating profit margin (%)		42	63	60
Occupancy level (%)		78	80	79
Revenue per occupied room (RevPOR) (€)	(a)	140	146	147
Gross operating profit per available room (GOPAR) (€)	(b)	16,980	27,183	26,009
Benchmark performance ¹				
Occupancy level (%)		80	83	82
Revenue per occupied room (RevPOR) (€)	(c)	113	117	124
Gross operating profit per available room (GOPAR)(€)	(d)	14,071	14,979	14,233
Revenue Generating Index (RGI)	(a)/(c)	1.24	1.25	1.19
Gross Operating Profit Generating Index (GOPGI)	(b)/(d)	1.21	1.81	1.83

¹Source: MHRA Survey Q4 2019. The data for FY2018, FY2019 and FY2020 comprise calendar years 2017, 2018 and 2019 respectively.

In the above table, gross operating profit is derived after deducting general and administrative expenses.

In FY2018, revenue increased by €1.6 million (+9.6%) from €16.6 million in FY2017 to €18.2 million. The hotel registered an increase of €0.4 million in gross operating profit in FY2018 to €7.7 million (FY2017: €7.3 million).

FY2019 was another positive year for the hotel, where revenue increased from €18.2 million in FY2018 to €19.8 million (+8.6%), mainly on account of a €6 (+4.3%) increase in RevPOR to €146 (FY2018: €140). More importantly, the hotel managed to improve its gross operating profit margin from 42% in FY2018 to 63% in FY2019, which resulted in a €4.7 million (+61%) growth in gross operating profit to €12.4 million (FY2018: €7.7 million).

In FY2020, revenue increased marginally by €0.1 million from the prior year, but gross operating profit decreased by €0.6 million or -4.8%, from €12.4 million in FY2019 to €11.8 million. Occupancy level was lower by 1 percentage point to 79%, while RevPOR increased by €1 to €147.

As to competitive set analysis, no hotel within the four-star sector in Malta fully operates on an allinclusive basis (other than the Seabank Hotel described above) and therefore, no peer is deemed to be directly comparable to the San Antonio Hotel. As such, the San Antonio Hotel has been compared to the average four-star sector results published in the Malta Hotels and Restaurants Association (MHRA) Survey.

Similar to the Seabank Hotel, the San Antonio Hotel is one of the largest hotels in Malta with 513 rooms (as of FY2018) and thus is more of a challenge to match and surpass the industry's average occupancy

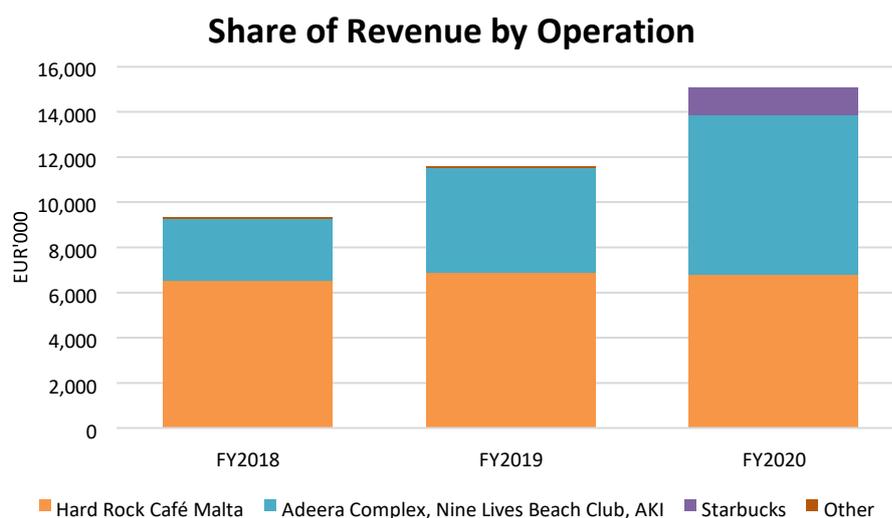


level. During FY2018 to FY2020, the hotel's average occupancy level averaged *circa* 79%, which was marginally lower than the sector average of 82%. As a newly refurbished property, the hotel managed to attain a higher RevPOR than the industry benchmark in each of the historical years, thereby achieving an RGI above 1.

With respect to GOPAR, the San Antonio Hotel exceeded the market average in FY2018, FY2019 and FY2020, as management took advantage of economies of scale afforded by the property (in view of the higher room inventory than the sector average). A significant positive variance between the hotel and its benchmark was registered in FY2019 and FY2020 as GOPGI increased from 1.21 in FY2018 to 1.81 in FY2019 and 1.83 in FY2020.

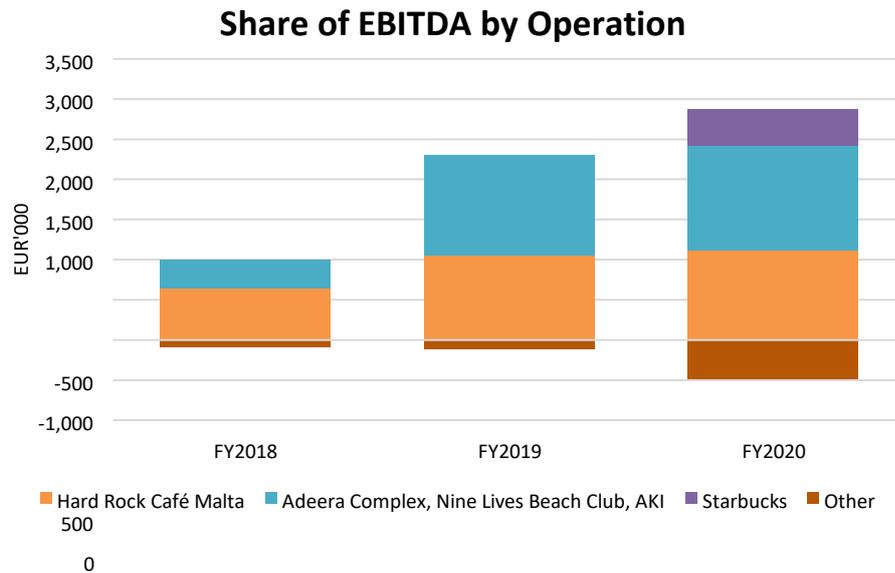
8. FOOD & BEVERAGE AND MERCHANDISE

The chart below depicts total revenue generated by each operation within the Group's food & beverage and merchandise segment.



- Revenue generated by Hard Rock Café Malta over the three years under review has been stable and amounted to €6.8 million in FY2020 (FY2018: €6.5 million).
- The aggregate operation of Adeera Complex, Nine Lives Beach Club and AKI (“ANA”) generated €7.1 million in revenue in FY2020 compared to €2.8 million and €4.7 million in FY2018 and FY2019 respectively. Revenue increased substantially in FY2019 following the renovations that took place in the previous financial year as well as the rebranding exercise and new offerings. Also, Nine Lives Beach Club initiated operations in FY2019 which further enhanced revenue growth.
- Starbucks commenced operations in FY2020 and reported revenue amounting to €1.2 million.





- In FY2020, EBITDA generated by Hard Rock Café Malta amounted to €1.1 million, an increase of 5% from the prior year. ANA reported an EBITDA of €1.3 million in FY2020 compared to €1.2 million in FY2019.
- Hard Rock Café Malta improved EBITDA margin (EBITDA/revenue) by 1 percentage point in FY2020 to 16%, ANA's EBITDA margin declined from 26% in FY2019 to 18% in FY2020.
- Starbucks achieved an EBITDA margin of 37% in its first year of operation.

8.1 HARD ROCK CAFÉ MALTA

Sea Port Franchising Limited, a db Group subsidiary company, was awarded the Hard Rock Café franchise for Malta in 2000, pursuant to the terms of a franchise agreement entered into with Hard Rock International. A new franchise agreement is presently being negotiated and is due to be signed in the coming months.

The Group presently operates 3 Hard Rock Café outlets in the following localities:

- **Bay Street Complex, St Julian's** – The property is subject to a concession agreement and an operator agreement with Bronville Limited and Baystreet Limited respectively. The restaurant covers an area of 600m², has a seating capacity of *circa* 180 covers, and includes a bar area, merchandise shop and internationally renowned rock 'n' roll memorabilia. The term of the above-mentioned agreements are due to expire on 25 November 2020 and will not be renewed. The Group is currently in negotiations to relocate to an alternative site.



- **Malta International Airport** – Sea Port Franchising Limited operates a Hard Rock Bar at the Malta International Airport pursuant to a lease agreement, entered into with Malta International Airport p.l.c., the term of which commenced on 1 January 2016 and is due to expire on 31 December 2022, subject to renewal. The Hard Rock Bar is situated in the departures lounge of the airport. In 2015, the Hard Rock Bar was fully refurbished and restyled.
- **Valletta Waterfront** – In 2005, Sea Port Franchising Limited entered into a lease agreement with Valletta Cruise Port p.l.c. following which it commenced operating a Hard Rock Bar with a seating capacity of *circa* 140 covers. The term of this lease agreement has been renewed on 1 March 2018 and will expire on 28 February 2030. During FY2020, this outlet was refurbished with an investment of *circa* €500,000.

8.2 ADEERA COMPLEX, NINE LIVES BEACH CLUB AND AKI

Adeera Complex is operated by S.R.G.N. Company Limited, a subsidiary company of db Group, and is located at Mellieha Bay, Malta (in close proximity to db Seabank Resort & Spa). During FY2018, the complex was renovated at a capital expenditure of €3 million. Adeera Complex houses 3 restaurants, a beach lido and a convenience store to service tourists. The property is leased from a subsidiary company – J.D. Catering Limited (C 15193) – which holds title of temporary emphyteusis granted to it by the Government of Malta and is due to expire on 31 July 2026.

In June 2019, db Group commenced operating Nine Lives beach club in St Paul's Bay, Malta, following an investment of €2.5 million. The club is situated on the water's edge with a majestic view of St Paul's Islands and offers a casual dining experience and entertainment facilities.

In February 2020, with an investment of €1.2 million, db Group opened AKI, a new restaurant and lounge bar in Valletta. Guests can taste signature Japanese-inspired dishes prepared with flavours to satisfy modern palates and contemporary styles.

8.3 STARBUCKS

The Group holds the exclusive license to operate and develop the Starbucks brand in Malta and Gozo, and accordingly plans to open 18 Starbucks outlets over a 5-year period. Debar Limited was incorporated in February 2018 to operate and manage Starbucks outlets in Malta.

In FY2019, the company opened the first 2 Starbucks outlets in Malta at Vault 15, Valletta Waterfront and Adeera Complex, Mellieha. During FY2020, Debar Limited opened a third outlet located in the Piazzetta Business Plaza, Sliema and a fourth opening took place in June 2020 (FY2021) at the Islet Promenade, Bugibba.



9. HOSPITALITY & LEISURE SECTOR ANALYSIS

9.1 ECONOMIC UPDATE¹

After several years of high growth fuelled mainly by domestic demand, Malta's economy was beginning to slow down even before the COVID-19 pandemic. The disease and the containment measures it has necessitated, however, are expected to cause the economy to swing from growth of 7.3% in 2018 and 4.7% in 2019 to a contraction of 6.0% in 2020.

Malta will be significantly affected by the pandemic this year mainly because of its impact on the tourism sector but also because of the country's partial lockdown and the disruption to international supply-chains. As a result, investment and net exports are expected to be severely hit by the crisis, as well as private consumption. Numerous financial aid packages from the government, however, should help to cushion the economic impact. Recent economic indicators, in particular in the construction and manufacturing sectors suggest a modest recovery. In addition, upward revisions in GDP figures from the second half of 2019 may add an artificially negative statistical effect in 2020 rates.

The easing in general restrictions is expected to relaunch domestic demand, pushing GDP annual growth to 6.25% in 2021. The main driver of the recovery is set to come from investment, supported by the recovery packages announced by the authorities. Net exports are also set to contribute significantly to the rebound as global trade gradually normalises.

HICP (Harmonised Index of Consumer Prices) inflation is set to decrease from 1.5% in 2019 to 0.8% in 2020, driven mainly by falling services inflation, impacted by demand contraction and wage reductions. Headline inflation is expected to rise to 1.2% in 2021 in line with a recovery in domestic demand and a revival in tourist demand for non-essential services.

9.2 TOURISM MARKET²

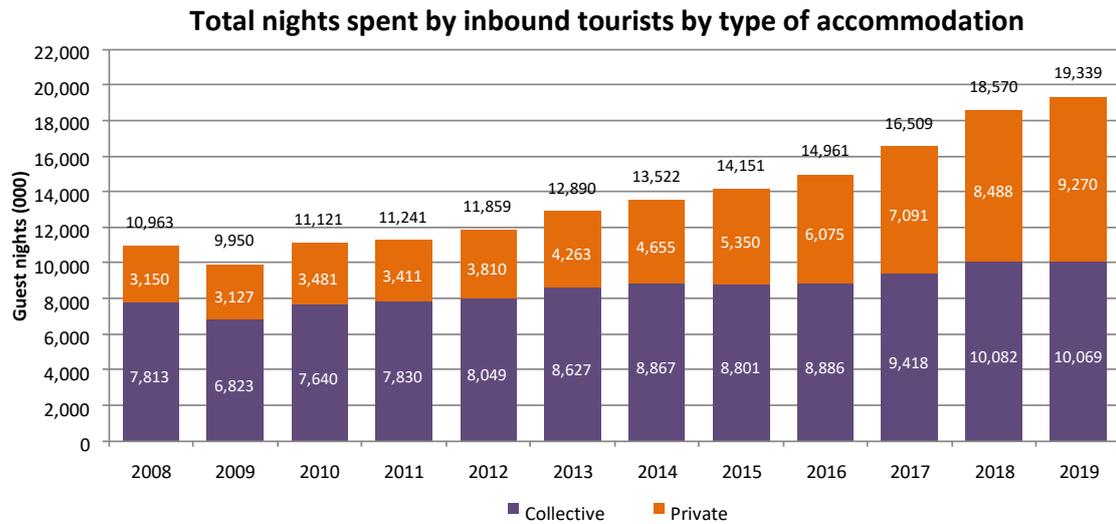
The tourism sector continued to expand in 2019, although the expansion moderated following an extended period of very high growth. Inbound tourist trips in 2019 reached nearly 2.8 million (+5.9% y-o-y) after increasing by 14.3% in 2018. The United Kingdom and Italy remained Malta's most important source markets, accounting for 23.6% and 14.3% of total visitors respectively.

Total nights spent by inbound tourists went up by 4.1%, surpassing 19.3 million nights. As shown in chart below, this was largely driven by an increase in nights stayed in rented accommodation other than collective accommodation (a y-o-y increase of 9.2% from 8.5 million guest nights in 2018 to 9.3 million in 2019).

¹ European Economic Forecast – Summer 2020 (European Commission Institutional Paper 132 July'20).

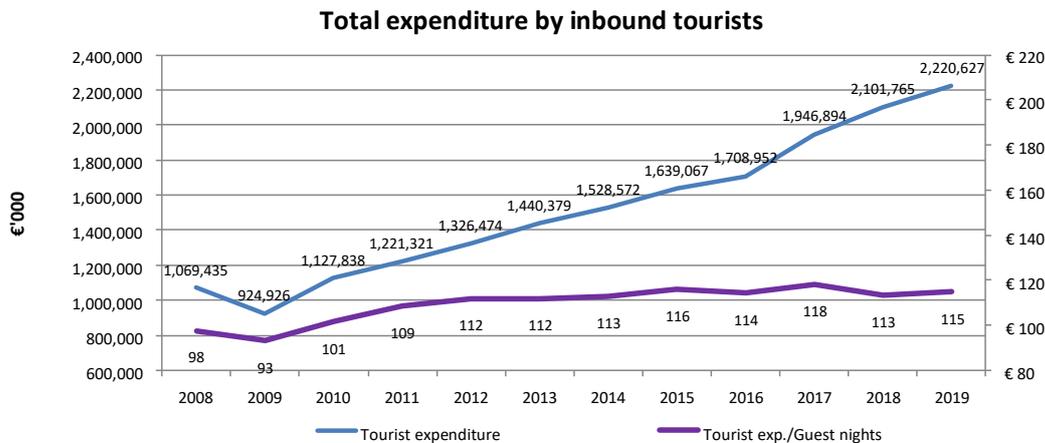
² https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_017.pdf;
https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_032.pdf;
 Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 72 to 74).





Source: National Statistics Office Malta

Total tourism expenditure amounted to €2.2 billion in 2019, a 5.7% increase over that recorded for 2018, while tourist expenditure per guest night increased by €2 from €113 in 2018 to €115 in 2019 (vide chart hereunder).



Source: National Statistics Office Malta

Total guests in collective accommodation establishments³ during 2019 surpassed 2.0 million, an increase of 2.0% over the same period in 2018. Within the collective accommodation establishments, the 5-star and 3-star hotels lost 17,878 guests (-4.3%) and 27,665 guests (-5.3%) respectively, whilst the 4-star hotels gained 48,695 guests (+5.6%) in 2019 compared to a year earlier.

Room rates and occupancy levels of the 5-star hotel category remained more or less on par with 2018 and showed a marginal decrease in REVPAR (revenue per available room) of 1.3%. GOPAR (gross operating profit per available room) for 2019 decreased by 4% (y-o-y).

³ Collective accommodation establishments comprise hotels, apart-hotels, guest houses, hostels and tourist villages.



With regard to the 4-star hotel category, occupancy and room rates decreased, albeit marginally, by 0.9% and 0.8% respectively. Non-accommodation income increased by 4.5%, and overall, REVPAR levelled off at €96.70. Profitability of the 4-star sector decreased by 5.1% in 2019.

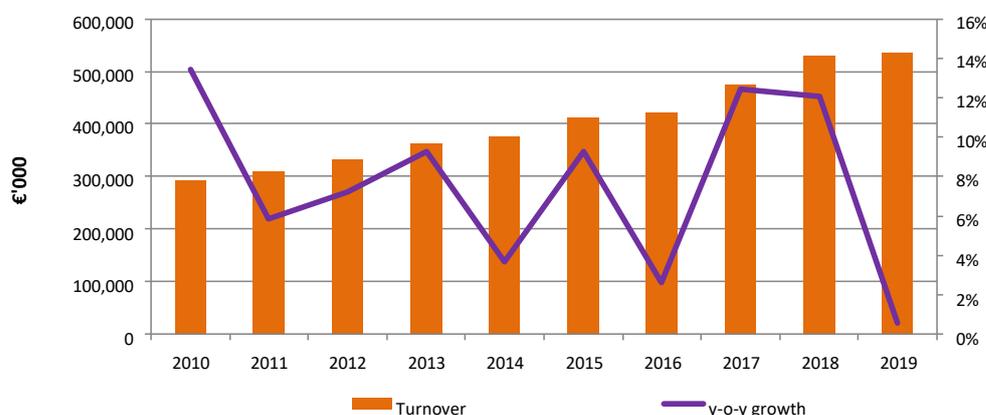
The 3-star sector in 2019 reported an increase in occupancy from 74% to 80%, whilst room rates increased by 1.7%. This trend resulted in a REVPAR improvement of 14.3%, while GOPAR increased by 13.6% (y-o-y).⁴

For the year 2020, the pandemic is projected to severely impact hotel bookings and related services. Albeit, the full extent of the disruption to the hospitality industry in Malta is yet to be determined and assessed.

Apart from issues arising from COVID-19, the hospitality industry in Malta was already experiencing bed overcapacity emanating from significant growth in non-collective accommodation and, to a lesser extent, hotel properties. This situation of oversupply may get worse in the short to medium term as ongoing hospitality development projects are completed. Increased competition is also expected from other countries, particularly in the southern Mediterranean region.

9.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2019, total income from this sector in Malta amounted to €534.4 million, an increase of 0.6% over the previous year (2018: €531.2 million). **Food & Beverage Service Sector in Malta**



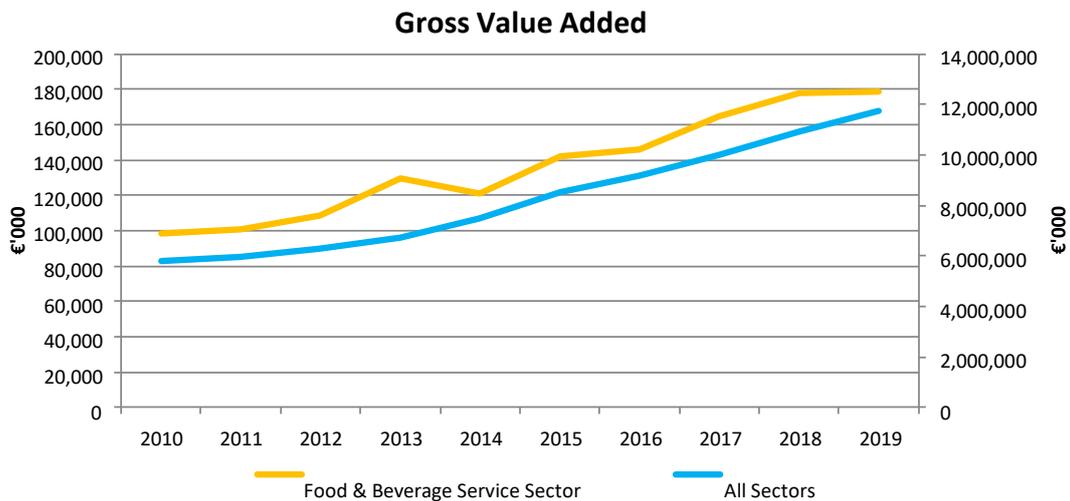
Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

As shown in the above chart, over a 10-year period (2010 – 2019), market output has progressively increased year-on-year. During the last 3 years, the sector registered year-on-year increases of 12.4% and 12.1% in 2017 and 2018 respectively, but slowed to 0.6% in 2019 when compared to the prior year. Since 2010, the food & beverage service sector grew at a compound annual growth rate of 6.9%.

⁴ The BOV MHRA Survey Q4 2019 and Year to Date.



The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €98.2 million in 2010 to €178.5 million in 2019. The chart also highlights the sector's correlation to Malta's economic performance. Over the reported period, the food & beverage service sector represented 1.7% of gross value added generated by the whole economy.



The COVID-19 pandemic has directed the Maltese authorities to impose various measures, including the temporary suspension of international travel and closure of hotels, restaurants, bars and other outlets, which will have a material impact on the food & beverage service sector. Although the travel ban was lifted as from 1 July 2020, significant headwinds are likely to persist for a period of time. Accordingly, it is still not possible to assess with a certain degree of accuracy the full extent of the adverse impact on this sector.

10. INVESTMENTS IN ASSOCIATED COMPANIES

10.1 HEALTHCARE AND CATERING SERVICES

Introduction

Malta Healthcare Caterers Limited (the “**MHC Group**”) is a joint venture between db Group and James Caterers Limited (C 30139), and is principally engaged in the provision of healthcare and catering services to hospitals and retirement homes, together with other related services, in Malta and Gozo. In 2013, MHC Group acquired a site in Santa Lucija measuring *circa* 4,455m² with the intention of eventually developing it into a 300-bed home for the elderly.

In 2017, MHC Group was awarded a 15-year concession for the construction of four new blocks and operation of an additional 500 beds at St Vincent de Paul Residence. The project was substantially completed in July 2020 at an aggregate cost of *circa* €35 million. In addition, MHC Group is to provide St Vincent de Paul Residence management services including nursing, caring, housekeeping and catering for the additional beds under a 15-year contract.



Furthermore, MHC Group completed in FY2020 a €4 million fully equipped kitchen on-site and is providing catering services to the existing 1,100 beds within the residence under a 10-year catering public private partnership agreement.

Healthcare Division

The healthcare division of MHC Group comprises the following subsidiary companies:

- Healthmark Care Services Ltd – the company is engaged in the provision of health and social care services and training to the general public, hospitals and elderly retirement and nursing homes;
- Health Services Group Limited – the company is engaged in the provision of nursing services;
- Support Services Limited – the company is engaged in the provision of nursing, medical and clinical services.

At present, the healthcare division has a staff complement of *circa* 2,570 employees, including 267 professional nurses, 207 staff members providing domiciliary care for the elderly and over 2,096 trained care assistants. The key agreements include: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence and Homes for the Elderly Community Care; and (iv) the provision of home help services.

Catering Division

MHC Group initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke's Hospital and Sir Paul Boffa Hospital. In 2015, MHC Group ceased to supply meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre. This agreement shall expire on 16 November 2022.

MHC Group also provides catering and ancillary services to in-patients and staff of Gozo General Hospital (since 2013) and St Vincent de Paul Residence (since 2014). In aggregate, MHC Group serves in the region of 6,000 meals per day.



Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Malta Healthcare Caterers Limited	FY2017	FY2018	FY2020
	12-mths	12-mths	15-mths
	Actual	Actual	Actual
Turnover (€'000)	42,354	56,472	90,443
Catering services	8,655	8,494	10,258
St Vincent de Paul concession agreement		6,915	23,330
Healthcare services	33,699	41,063	56,855
Profit for the year (€'000)	1,344	2,932	3,516
Net profit margin (%)	3	5	4
db Group's share of profit at 50%	672	1,466	1,758

During FY2020, Malta Healthcare Caterers Limited changed its statutory reference date from 31 December to 31 March to align its financial reporting period to that of SD Holdings Limited.

The table above summarises the historical financial performance of MHC Group for the years ended 31 December 2017 to 31 March 2020. In FY2017, income from healthcare services increased by 26% to €33.7 million (FY2016: €26.6 million) and contributed to an increase of €8.1 million to overall revenue to €42.4 million (FY2016: €34.2 million).

In FY2018, revenue increased from €42.4 million in FY2017 to €56.5 million (+33%), mainly on account of the initial recognition of revenue in relation to the St Vincent de Paul concession agreement amounting to €6.9 million and an increase of €7.4 million (+22%) in healthcare services revenue to €41.1 million.

Due to the above-mentioned concession agreement, revenue in FY2020 increased substantially by €33.9 million, from €56.5 million in FY2018 to €90.4 million. In terms of profitability, net profit margin achieved in the reviewed period ranged from 3% to 5%, reflective of a highly competitive market in which MHC Group operates in. In absolute terms, profit for FY2020 amounted to €3.5 million, an increase of €0.6 million (+23%) from the prior year (FY2018: €2.9 million).

12.2 AIRLINE CATERING SERVICES

Introduction

The Group has a 30% shareholding in Sky Gourmet Malta Ltd, a company principally involved in the provision of catering and commissary services to airlines. On an annual basis, the company serves over



2 million airline meals and snacks. The other shareholders are James Caterers Limited (C 30139) with a 30% ownership, and Do & Co, an Austrian catering company which is active in segments such as airline catering, train catering and international events catering.

During the financial years ended 31 March 2018 to 2020, the company serviced Air Malta and Ryanair, and other top-end carriers, on a regular or ad hoc basis. The relevant contract agreements for Air Malta and Ryanair expire on 31 March 2021 and 31 March 2022 respectively.

Operational Performance

The following table sets out the highlights of the company's operating performance for the years indicated therein:

Sky Gourmet Malta Limited	FY2018 Actual	FY2019 Actual	FY2020 Actual
Turnover (€'000)	7,221	6,794	6,900
Profit for the year (€'000)	599	276	454
Net profit margin (%)	8	4	7
db Group's share of results at 30%	180	83	136

Source: Management information.

In FY2018, revenue increased by €1.60 million (+28.5%) to €7.2 million (FY2017: €5.6 million), whilst also improving the net profit margin by 3 percentage points to 8% (FY2017: 5%). This resulted in a profit for the year of €0.6 million, a €0.3 million increase (+128.6%) compared to the prior year (FY2017: €0.3 million).

During FY2019, the Company launched a new business class meal concept consisting of a traditional culinary experience served in contemporary Maltese ceramics and chinaware, and the buy-on board concept was initiated to economy class passengers. Revenue for the year amounted to €6.8 million, a decrease of €0.4 million from a year earlier, while profit in FY2019 amounted to €0.3 million (FY2018: €0.6 million).

Revenue in FY2020 increased marginally by €0.1 million, from €6.8 million in FY2019 to €6.9 million in FY2020, while profit improved to €0.5 million. A reduction of flights and passengers as a result of the COVID-19 pandemic is anticipated during the current financial year (FY2021), thereby negatively affecting operational performance of the company.

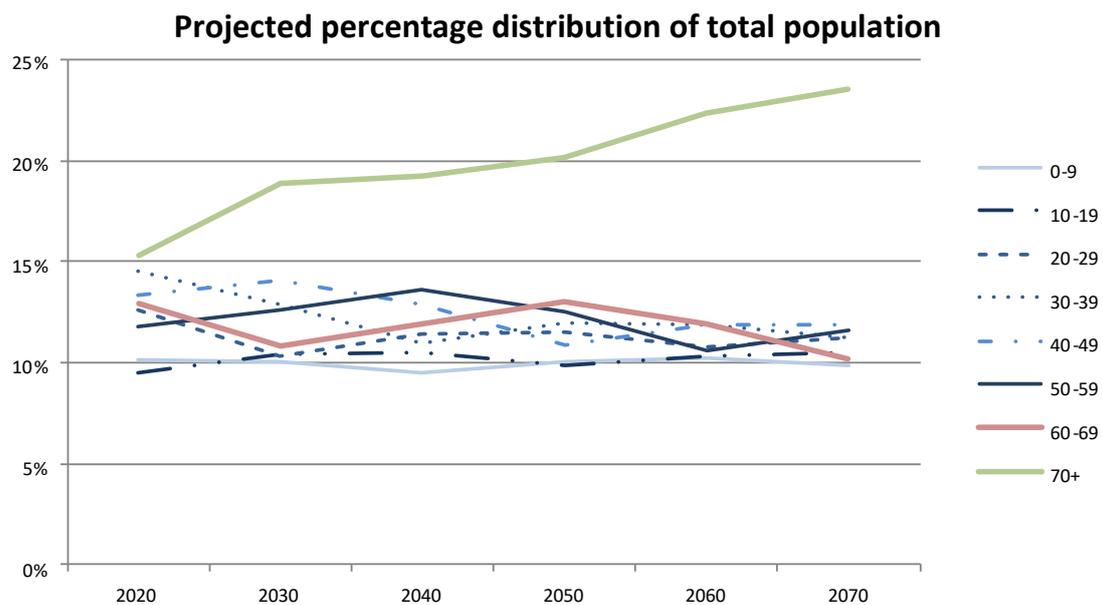
12.3 LONG-TERM CARE TREND ANALYSIS

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase



in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

In line with the above-mentioned statistics, MHC Group foresees a steady increase in demand for nursing, home carers and other healthcare staff in the coming years, as well as a growing need for retirement and long-term care homes. As such, MHC Group plans to continue to focus on this sector and progressively increase its offerings, particularly, by growing the staff complement to meet the demand for long-term care in Malta.



Source: Demographic Review 2014, National Statistics Office, Malta

12.4 CONTRACT CATERING TREND ANALYSIS

The demand for contract catering in Malta has developed substantially over the last ten years, particularly from the healthcare, aviation and canteen catering sectors. In the healthcare sector, demand for such service is mainly generated from state and privately-owned hospitals as well as from retirement homes. The Directors expect this market to grow further in the coming years as more hospitals and care homes are developed to meet the needs of Malta's ageing population. As such, MHC Group intends to remain focused on optimising the contract catering business with a customer centric approach, while continuing to explore appropriate opportunities to profitably grow market share.

As for demand from the aviation industry, the pandemic will undoubtedly have an adverse impact on inflight catering service given the closure of airports between March and June 2020, and the sharp reduction of flights and seat capacity anticipated for the remaining part of the financial year.

Apart from COVID-19 related issues, the inflight catering service business was already decreasing due to airlines reducing their costs on ancillary services such as inflight meals. In this regard, the Group, through its 30% shareholding in Sky Gourmet Malta Ltd, will continue to focus on achieving operating efficiencies so as to safeguard profitability and future viability of this business.



12.5 OTHER INVESTMENTS IN ASSOCIATED COMPANIES

The Group owns 33.3% of Porto Azzurro Limited, a company that owns, manages and operates a three star 125-room aparthotel located in Xemxija, Malta. The rooms and apartments are equipped with ensuite bathrooms, a fully equipped kitchenette and other amenities. The hotel has a 24-hour reception, a launderette, mini market, dedicated restaurant and a pizzeria, as well as a number of leisure facilities. During the year ended 31 March 2020, the company generated revenue amounting to €1.3 million (FY2019: €1.6 million) and gross operating profit of €0.4 million (FY2019: €0.5 million).

PART 3 – PERFORMANCE REVIEW

11. FINANCIAL INFORMATION RELATING TO SD FINANCE PLC

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of db Group. The financial information relating to the period 20 January 2017 to 31 March 2018 and the years ended 31 March 2019 and 31 March 2020 has been extracted from the audited financial statements of SD Finance p.l.c. The forecast financial information for the year ending 31 March 2021 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

SD Finance p.l.c.				
Income Statement				
for the year ended 31 March				
	2018	2019	2020	2021
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Finance income	2,769	2,999	3,001	2,999
Finance costs	(2,719)	(2,907)	(2,910)	(2,910)
Administrative expenses	(38)	(75)	(83)	(83)
Profit before tax	12	17	8	6
Taxation	(4)	(5)	(3)	(2)
	8	12	5	4
			(2) Profit for the period/year	

FY2018 - relates to the period 20 January 2017 to 31 March 2018.

SD Finance p.l.c.				
Balance Sheet				
as at 31 March				
	2018	2019	2020	2021



	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current				
Loans owed by parent company	<u>62,233</u>	<u>62,233</u>	<u>62,233</u>	<u>62,233</u>
	<u>62,233</u>	<u>62,233</u>	<u>62,233</u>	<u>62,233</u>
Current				
Trade and other receivables	1	219	2,803	2,895
Cash and cash equivalents	<u>4,828</u>	<u>4,711</u>	<u>2,200</u>	<u>2,195</u>
	<u>4,829</u>	<u>4,930</u>	<u>5,003</u>	<u>5,090</u>
Total assets	<u>67,062</u>	<u>67,163</u>	<u>67,236</u>	<u>67,323</u>
EQUITY				
Capital and reserves				
Called up share capital	250	250	250	250
Retained earnings	<u>8</u>	<u>20</u>	<u>25</u>	<u>29</u>
	<u>258</u>	<u>270</u>	<u>275</u>	<u>279</u>
LIABILITIES				
Non-current				
Bonds in issue	<u>64,152</u>	<u>64,232</u>	<u>64,315</u>	<u>64,398</u>
	<u>64,152</u>	<u>64,232</u>	<u>64,315</u>	<u>64,398</u>
Current				
Trade and other payables	<u>2,652</u>	<u>2,661</u>	<u>2,646</u>	<u>2,646</u>
	<u>2,652</u>	<u>2,661</u>	<u>2,646</u>	<u>2,646</u>
	<u>66,804</u>	<u>66,893</u>	<u>66,961</u>	<u>67,044</u>
Total equity and liabilities	<u>67,062</u>	<u>67,163</u>	<u>67,236</u>	<u>67,323</u>

SD Finance p.l.c.**Cash Flow Statement**

for the year ended 31 March

	2018	2019	2020	2021
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	2,735	(117)	(2,511)	(5)
Net cash from investing activities	(62,233)	-	-	-
Net cash from financing activities	<u>64,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents	(2,511)	(5)	4,828	(117)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>4,828</u>	<u>4,711</u>	<u>2,200</u>
Cash and cash equivalents at end of year	4,828	4,711	2,200	2,195

FY2018 – relates to the period 20 January 2017 to 31 March 2018.



The Issuer is a fully owned subsidiary of SD Holdings Limited, the parent company of db Group, and is principally engaged to act as a finance company. During FY2018, the Issuer on-lent the majority of net proceeds of the €65 million Bond Issue to db Group companies. As a result, finance income in the income statement principally represents interest receivable from loans advanced to Group companies and finance costs comprise interest payable to bondholders.

In FY2020, the Issuer generated finance income of €3.0 million and incurred finance costs of €2.9 million, both of which were unchanged from the prior year (FY2019). Profit after tax amounted to €5,000 compared to €12,000 in FY2019.

No material movements in the income statement and, or balance sheet have been projected for FY2021.

12. FINANCIAL INFORMATION RELATING TO SD HOLDINGS LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of SD Holdings Limited for each of the years ended 31 March 2018 to 31 March 2020. The forecast financial information for the year ending 31 March 2021 has been provided by management.

The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

By March 2020, the world was suffering from a widespread COVID-19 pandemic, resulting in disruptions to businesses worldwide. Several restrictions, both at a global and local level, which resulted in the forced closure of hotels, catering establishments and other places of entertainment, invariably had a negative impact on the Group, as it predominantly operates in the hospitality and leisure industry. The Maltese Government has responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

As a result of the pandemic and restrictions imposed by the Health Authorities, the hotels with catering establishments operated by the Group experienced a complete shutdown to its operations with effect from the third week of March 2020. Since then, the Authorities have relaxed the measures and gradually allowed the re-opening of catering establishments, followed by hotels. The airport re-opened for commercial flights on 1 July 2020.

The Group has taken significant cost-cutting measures to reduce its cost base. All non-essential service contracts and retainers were either terminated or suspended, others were re-negotiated, all its staff put on a reduced working week and all in-house plant and machinery put on shutdown mode. The Group is also in receipt of various COVID-19 business assistance programmes issued by the Government, with the aim to mitigate against the adverse financial impact of this pandemic, and to safeguard its future wellbeing and that of its employees and other stakeholders.

The Group has prepared projections for FY2021 and beyond, based on historical financial information and forecasts, but factoring in the disruption caused by the COVID-19 pandemic. The Group has over



the past years accumulated a substantial cash reserve and also secured a €10 million loan under the Malta Development Bank COVID-19 Guarantee Scheme to mitigate against its working capital needs and at the same time cushioning the effect of any prolongment in tis receivables cycle.

Conversely to the impact on the hospitality and catering operations, the pandemic had the opposite effect on the health care arm of the Group. An upswing in demand for the services offered by the Group within this sector was experienced which mitigated to some extent the negative effects experienced within the hospitality and leisure arm of the Group's business model. Moreover, the gradual opening in July 2020 of the 500-bed new wing at St Vincent de Paul Residence, which is being operated by an associated company of the Group, will further serve to cushion the negative impact experienced in other sectors within the Group.

As at the date of this report, all business units of the Group are operational within the restrictions and guidelines issued by the Health Authorities.

The true extent of the effects of the crisis will be based on the actual time of the disruption. Despite the gradual re-opening of the Group's business activities in June/July 2020, the Directors expect that tourism will remain hard hit for a long period of time. Accordingly, it is not possible to reliably estimate the duration and severity of these consequences, and predictions, financial or otherwise, remain highly subjective.

SD Holdings Limited

**Consolidated Income Statement
for the year ended 31 March**

	2018	2019	2020	2021
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	50,259	56,133	59,324	12,584
Net operating costs	(29,563)	(31,289)	(33,670)	(11,649)
EBITDA	20,696	24,844	25,654	935
Depreciation & amortisation	(6,739)	(7,408)	(9,204)	(8,886)
Operating profit (loss)	13,957	17,436	16,450	(7,951)
Net finance costs	(3,488)	(2,929)	(3,742)	(3,712)
Share of results of associates	912	1,589	1,911	2,218
Profit (loss) before tax	11,381	16,096	14,619	(9,445)
Taxation	(3,790)	(5,403)	(2,439)	1,576
Profit (loss) for the year	7,591	10,693	12,180	(7,869)
Other comprehensive income				
Fair value movements on land & buildings, net of tax	-	59,120	(7,150)	-



Cash flow hedges, net of tax				
Total comprehensive income (expense), net of tax			5,030	(7,869)

	35	-		
	7,626	69,813		

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Operating profit margin (EBITDA/revenue)	41%	44%	43%	7%
Interest cover (times) (EBITDA/net finance cost)	5.93	8.48	6.86	0.25
Net profit margin (Profit after tax/revenue)	15%	19%	21%	n/a
Earnings per share (€) (Profit after tax/number of shares)	1.90	2.67	3.05	n/a
Return on equity (Profit after tax/shareholders' equity)	12%	8%	9%	n/a
Return on capital employed (EBITDA/total assets less current liabilities)	10%	9%	9%	0%
Return on assets (Profit after tax/total assets)	3%	3%	4%	n/a

Source: MZ Investment Services Ltd

During **FY2018**, revenue generated by the Group amounted to €50.3 million, an increase of €3.7 million (+7.8%) when compared to FY2017. This growth was primarily due to an increase of €1.6 million from each of the Seabank Hotel (+7.7%) and the San Antonio Hotel (+9.8%). The other db Group operations increased year-on-year aggregate revenue by €0.4 million.

Operating profit in FY2018 increased by €1.7 million (+13.8%), from €12.3 million in FY2017 to €14.0 million. Net finance costs remained stable in FY2018 when compared to the prior year at €3.5 million, whereas share of profits from associates was lower by €0.2 million (y-o-y) to €0.9 million. After accounting for taxation, db Group reported an increase in profits of €0.8 million (+12.4%) in FY2018, from €6.8 million in FY2017 to €7.6 million.

In **FY2019**, db Group's revenue increased by €5.8 million (+11.7%) from €50.3 million in FY2018 to €56.1 million. Db Group registered an increase in revenue across all its business activities, particularly the Seabank Resort (+€2.0 million, y-o-y), San Antonio Hotel (+€1.6 million, y-o-y) and Adeera Complex (+€1.9 million, y-o-y). The main growth driver within hospitality is the improvement in yield on hotel accommodation, while in the leisure segment, the three restaurants at Adeera Complex (namely



Amami, Westreme and Blu Beach lido) together with the property's other offerings have continued to gain in popularity.

This positive performance led to an increase of €4.1 million (+20.0%) in EBITDA which amounted to €24.8 million in FY2019 (FY2018: €20.7 million). Further analysis shows that EBITDA generated by Seabank Hotel decreased y-o-y by €1.8 million to €10.3 million. In contrast, San Antonio Hotel reported an increase of 60.1% from €7.7 million in FY2018 to €12.4 million, while EBITDA from Hard Rock Café and Adeera Complex increased from €0.6 million and €0.4 million respectively in FY2018 to €1.1 million (+66%) and €1.2 million (+248%) respectively.

Net finance costs were lower y-o-y by €0.6 million which was offset by an increase in depreciation amounting to €0.7 million. Share of results of associates increased from €0.9 million in FY2018 to €1.6 million, mainly on account of positive performance from Malta Healthcare Caterers Limited. During FY2019, db Group revalued the Seabank Hotel and San Antonio Hotel by an aggregate amount of €59.1 million (net of deferred tax). As a consequence, db Group reported a considerable y-o-y increase in total comprehensive income from €7.6 million in FY2018 to €69.8 million.

In **FY2020**, revenue increased by 6% from €56.1 million in FY2019 to €59.3 million principally on account of higher revenue generated at Adeera Complex & Nine Lives and first-year's income derived from Starbucks. EBITDA increased by €0.8 million from the prior year to €25.7 million pursuant to the growth in revenue as to €0.3 million and the remaining €0.5 million resulted from a favourably impact on the adoption of IFRS 16 'leases'. Results from the hospitality sector was broadly stable compared to FY2019, and thus considered positive in view of the adverse effect of the COVID-19 pandemic during the course of the last month of reporting and the one-off bad debt write off following the bankruptcy of Thomas Cook in the UK, which together impacted the overall results by *circa* €1.3 million in EBITDA.

Notwithstanding the increase in EBITDA, the Group reported a decline in profit before tax of €1.5 million or -9% to €14.6 million (FY2019: €16.1 million) mainly due to an increase of €2.6 million in depreciation & amortisation and net finance costs. An amount of €0.7 million of aforesaid increase was brought about following the adoption of the requirements of IFRS 16. Share of results of associates increased in FY2020 by €0.3 million to €1.9 million.

During the year, the Group reversed €11.0 million of revaluation surplus on land and buildings (net of deferred tax amounted to €7.15 million). Overall, total comprehensive income for the year amounted to €5.0 million compared to €69.8 million in FY2019.

Key accounting ratios – The operating profit margin decreased by 1 percentage point in FY2020 to 43%, but net profit margin improved from 19% in FY2019 to 21%. Interest cover weakened from 8.48 times in FY2019 to 6.86 times in FY2020 but remained relatively high.

The estimates for the forward year as presented in this document assume that the carrying values of hotel properties will remain constant in FY2021, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated income statement and balance sheet values.



Revenue in FY2021 is projected to decrease substantially by €46.7 million (y-o-y) to €12.6 million on account of the complete shutdown of the Group's operations in March 2020 and the significant curtailment of operations following the gradual re-opening in June 2020, which lower level of business activities is expected for the remainder of the financial year. As a result, EBITDA is projected to decline from €25.7 million in FY2020 to €0.9 million.

Below EBITDA, the Group is forecasting no material changes to depreciation & amortisation (€8.9 million compared to €9.2 million in the previous year) and net finance costs (unchanged at €3.7 million when compared to FY2020). With regard to share of results of associates, the Group is projecting an increase of 16% y-o-y to €2.2 million (FY2020: €1.9 million) primarily on account of expected higher earnings generated by the MHC Group. After accounting for a tax credit of €1.6 million, the loss for the year is estimated at €7.9 million.

SD Holdings Limited				
Consolidated Cash Flow Statement				
for the year ended 31 March				
	2018	2019	2020	2021
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	15,628	21,620	24,661	(7,824)
Net cash from investing activities	(10,429)	(19,664)	(9,519)	(2,925)
Net cash from financing activities	797	-	(1,190)	8,923
	8,453	10,409	24,361	22,535
Net movement in cash and cash equivalents	5,996	1,956	13,952	(1,826)
Cash and cash equivalents at beginning of year	2,457	8,453	10,409	24,361
Cash and cash equivalents at end of year				

Net cash generated from operating activities in FY2020 amounted to €24.7 million compared to net cash inflows of €21.6 million in FY2019. The positive variance mainly emanates from favourable working capital changes and a reclassification of lease payments from operating activities to financing activities. In FY2021, net cash from operating activities is expected to result in net cash outflows of €7.8 million due to adverse movements in working capital items.

Net cash used in investing activities amounted to €9.5 million (FY2019: €19.7 million), mainly attributable to payments to acquire property, plant & equipment and capital expenditure in relation to investment property. Due to the decline in business activities due to COVID-19, the Group has temporarily stopped most capital expenditure. As such, in FY2021, cash used in investing activities is



projected at €2.9 million, of which, €1.5 million represents amounts due pursuant to the temporary emphyteutical concession granted by the Lands Authority to the Group in relation to the db City Centre project.

In FY2020, net cash used in financing activities amounted to €1.2 million (FY2019: nil), which included payments for lease obligations of €0.5 million and net repayment of borrowings amounting to €0.7 million. During FY2021, the Group obtained a loan of €10 million through the Malta Development Bank COVID-19 Guarantee Scheme. After factoring cash outflows relating to repayment of bank loans and lease payments, net cash from financing activities is estimated to amount to €8.9 million.

SD Holdings Limited
Consolidated Balance Sheet
as at 31 March

	2018	2019	2020	2021
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Property, plant and equipment	132,848	205,207	193,548	185,076
Investment property	65,501	71,554	74,898	76,898
Intangible assets	486	288	909	699
Investments in associates	6,164	7,757	9,368	11,586
Right-of-use assets	-	-	6,151	5,947
Deferred tax assets	4,024	1,363	1,392	1,423
Trade and other receivables	-	75	101	50



	<u>209,023</u>	<u>286,244</u>	<u>286,367</u>	<u>281,679</u>
Current assets				
Inventories	1,207	1,220	1,764	1,625
Trade and other receivables	10,051	17,054	10,525	6,122
Cash and cash equivalents	<u>9,602</u>	<u>11,004</u>	<u>25,771</u>	<u>22,535</u>
	<u>20,860</u>	<u>29,278</u>	<u>38,060</u>	<u>30,282</u>
Total assets	<u>229,883</u>	<u>315,522</u>	<u>324,427</u>	<u>311,961</u>
EQUITY				
Capital and reserves				
Share capital	4,000	4,000	4,000	4,000
Reserves	35,516	94,637	87,285	87,285
Retained earnings	<u>24,255</u>	<u>33,945</u>	<u>46,327</u>	<u>38,458</u>
	<u>63,771</u>	<u>132,582</u>	<u>137,612</u>	<u>129,743</u>
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	72,456	72,536	71,616	80,960
Lease liabilities	-	-	5,751	5,160
Other non-current liabilities	<u>65,246</u>	<u>82,200</u>	<u>81,538</u>	<u>72,489</u>
	<u>137,702</u>	<u>154,736</u>	<u>158,905</u>	<u>158,609</u>
Current liabilities				
Bank overdrafts	1,149	595	1,410	-
Borrowings	144	168	782	976
Lease liabilities	-	-	541	591
Other current liabilities	<u>27,117</u>	<u>27,441</u>	<u>25,177</u>	<u>22,042</u>
	<u>28,410</u>	<u>28,204</u>	<u>27,910</u>	<u>23,609</u>
Total equity and liabilities	<u>229,883</u>	<u>315,522</u>	<u>324,427</u>	<u>311,961</u>

182,940

186,815

182,218

166,112

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Gearing ratio (Net debt/Net debt and shareholders' equity)	50%	32%	28%	33%
Net debt to EBITDA (years) (Net debt/EBITDA)	3.10	2.51	2.12	69.68
Net assets per share (€) (Net asset value/number of shares)	15.94	33.15	34.40	32.44
Liquidity ratio (times) (Current assets/current liabilities)	0.73	1.04	1.36	1.28

Source: MZ Investment Services Ltd



Total assets as at 31 March 2020 amounted to €324.4 million (FY2019: €315.5 million) and principally comprise major assets listed in section 6 above amounting to €268.4 million, investments in associates of €9.4 million and cash balances of €25.8 million. Furthermore, due to the adoption of IFRS 16, the Group recognised right-of-use assets amounting to €6.2 million.

Total liabilities in FY2020 amounted to €186.8 million (FY2019: €182.9 million) and primarily included debt securities, borrowings and lease liabilities amounting to €80.1 million (in aggregate). Other liabilities mainly comprise trade and other payables of €84.7 million, of which, €50.7 million represents amounts due to Government in relation to purchase of land.

The gearing ratio of the Group has decreased from 50% in FY2018 to 28% in FY2020 due to constant increase in retained earnings and the material increase in revaluation reserve in FY2019. Consequently, net debt to EBITDA improved from 3.10 years in FY2018 to 2.12 years in FY2020. In the latter financial year, EBITDA was higher from the prior year mainly on account of the effect of IFRS 16, where lease payments are now accounted for in depreciation & amortisation and net finance costs (that is, below the EBITDA line).

The liquidity ratio of the Group has strengthened from 0.73 times in FY2018 to 1.36 times in FY2020, and thereby shows the Group's favourable financial position to meet short term debt obligations.

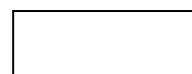
Total assets in FY2021 are projected to amount to €312.0 million, a decrease of €12.4 million from a year earlier. The value of property, plant & equipment is expected to decrease by €8.4 million, mainly on account of the annual depreciation charge, partly offset by an increase of €2.0 million €2.2 million in investment property and investments in associates respectively. Due to the disruptions caused by the COVID-19 pandemic, trade & other receivables and cash balances are expected to decline by €4.4 million and €3.2 million respectively.

A decrease of €4.6 million is being forecast for total liabilities, whereby other current and non-current liabilities (mainly comprising trade & other payables and deferred taxation respectively) are expected to decrease by €12.2 million. On the other hand, bank and other borrowings are projected to increase by €8.1 million in FY2021 to €81.9 million.

Due to an increase in borrowings, the gearing ratio of the Group is expected to increase from 28% in FY2020 to 33%. The liquidity ratio is projected to decrease from 1.36 times in FY2020 to 1.28 times in FY2021.

VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecast financial information for the year ended 31 March 2020 included in the prior year's Financial Analysis Summary dated 27 September 2019 and the audited consolidated financial statements for the year ended 31 March 2020.



SD Holdings Limited			
Consolidated Income Statement for the year ended 31 March 2020			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Revenue	59,324	58,600	724
Net operating costs	(33,670)	(32,617)	(1,053)
		25,983	
EBITDA	25,654		(329)
Depreciation & amortisation	(9,204)	(8,077)	(1,127)
		17,906	
Operating profit	16,450		(1,456)
Net finance costs	(3,742)	(2,930)	(812)
Share of results of associates	1,911	1,650	261
		16,626	
Profit before tax	14,619		(2,007)
Taxation	(2,439)	(5,580)	3,141
Profit for the year	12,180	11,046	1,134
Other comprehensive income			
Fair value movements on land & buildings, net of tax	(7,150)	-	(7,150)
Total comprehensive income for the year, net of tax	5,030	11,046	(6,016)

As presented in the above table, the Group's revenue and EBITDA for FY2020 was broadly in line with projections.

A positive variance of €1.1 million was registered in profit for the year, mainly on account of a €3.1 million favourable variance in taxation which was partly offset by higher than expected depreciation & amortisation and net finance costs of €1.9 million.

The net reversal of revaluation surplus amounting to €7.15 million was not accounted for in the projections. As such, an adverse variance of €6.0 million was reflected in total comprehensive income which amounted to €5.0 million compared to a forecast figure of €11.0 million.

SD Holdings Limited			
Consolidated Balance Sheet			
as at 31 March 2020			
	Actual	Forecast	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	193,548	209,357	(15,809)
Investment property	74,898	79,899	(5,001)
Intangible assets	909	46	863
Investments in associates	9,368	9,407	(39)
Right-of-use assets	6,151	-	6,151
Deferred tax assets	1,392	462	930
Trade and other receivables	<u>101</u>	-	<u>101</u>
	<u>286,367</u>		<u>(12,804)</u>
Current assets			
Inventories	1,764	299,171	490
		1,274	
Trade and other receivables	10,525	18,894	(8,369)
Cash and cash equivalents	<u>25,771</u>		<u>249</u>
	<u>38,060</u>	25,522	<u>(7,630)</u>
Total assets	<u>324,427</u>	45,690	<u>(20,433)</u>
EQUITY			
Capital and reserves			
Share capital	4,000	344,860	-
		4,000	
Reserves	87,285	94,636	(7,351)
Retained earnings	<u>46,327</u>		<u>1,336</u>
	<u>137,612</u>	44,991	<u>(6,015)</u>
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	71,616	143,627	(849)
		72,465	



Lease liabilities	5,751	-	5,751
Other non-current liabilities	<u>81,538</u>		<u>(17,491)</u>
	<u>158,905</u>	<u>99,029</u>	<u>(12,589)</u>
Current liabilities			
Bank overdrafts	1,410	171,494	1,410
		-	
Borrowings	782	-	782
Lease liabilities	541	-	541
Other current liabilities	<u>25,177</u>		<u>(4,563)</u>
	<u>27,910</u>	<u>29,740</u>	<u>(1,830)</u>
	<u>186,815</u>		<u>(14,419)</u>
Total equity and liabilities	<u>324,427</u>	<u>29,740</u>	<u>(20,433)</u>
		<u>201,234</u>	
		<u>344,860</u>	

Total assets as at 31 March 2020 amounted to €324.4 million, being €20.4 million lower than projected. The main difference emanates from property, plant & equipment and investment property (an adverse variance of €20.8 million), wherein the Group had not anticipated the reversal of €11.0 million in revaluation surplus. Moreover, the Group had projected further capital expenditure of €9.8 million which did not materialise.

Right-of-use assets amounting to €6.2 million (pursuant to the adoption of IFRS 16) was not factored into the projections. On the other hand, trade and other receivables were lower than expected by €8.4 million, reflective of the complete shutdown in March 2020 due to COVID-19.

The variance in total liabilities amounted to €14.4 million, primarily on account of lower than expected capital expenditure (implying lower capital creditors at year end), a decrease in trade and other payables due to closure of the Group's business operations and €3.85 million reduction in deferred tax on reversal of revaluation surplus. Lease liabilities amounting to €5.8 million were not included in the projections, which partly offset the afore-mentioned variances.

SD Holdings Limited			
Consolidated Cash Flow Statement for			
the year ended 31 March 2020			
	Actual	Forecast	Variance
	€'000	€'000	€'000



Net cash from operating activities	24,661	26,388	(1,727)
Net cash from investing activities	(9,519)	(8,345)	(1,174)
Net cash from financing activities	(1,190)	(2,930)	1,740
Net movement in cash and cash equivalents	13,952	15,113	(1,161)
Cash and cash equivalents at beginning of year	10,409	10,409	-
Cash and cash equivalents at end of year	24,361	25,522	(1,161)

Net movement in cash and cash equivalents amounted to €14.0 million compared to a projected balance of €15.1 million. The negative difference of €1.2 million is largely not material when taking into account the end of year positive cash balance amounting to €24.4 million.

PART 4 - COMPARABLES

The table below compares db Group and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of db Group and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of db Group.

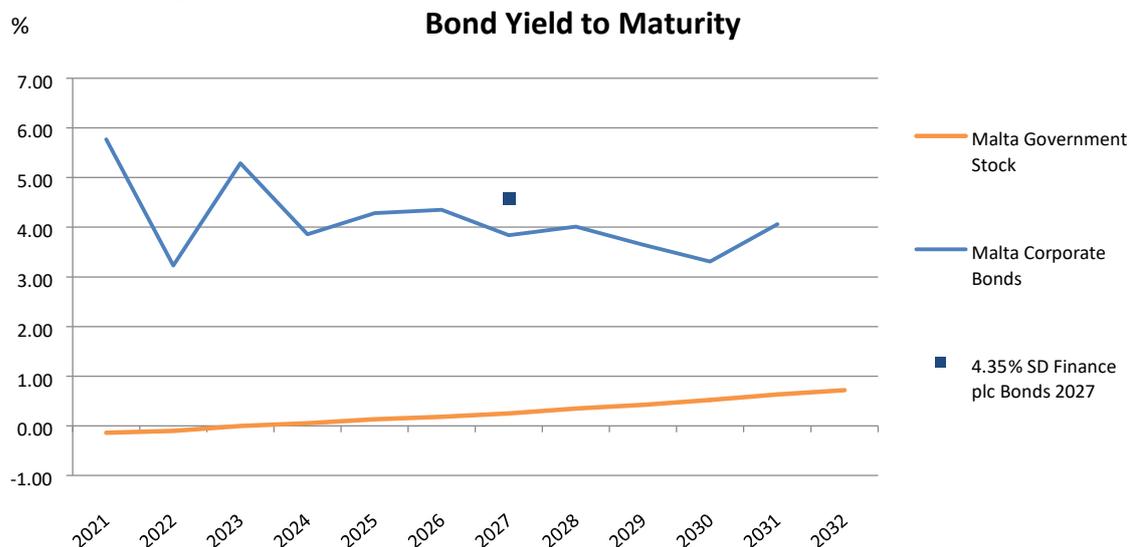
Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.77	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.23	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series 26,781,200		3.21	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	2.86	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	1.44	36,921	8,038	70.88
5.80% International Hotel Investments plc 2023	10,000,000	5.62	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	3.80	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.68	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.86	4.81	95,310	47,100	48.85



5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.19	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.09	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.47	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.67	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.86	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.19	2.53	1,859	960,153	37.33
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.07	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.57	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	4.00	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.57	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.84	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.67	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.01	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.65	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.94	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.62	5.55	341,785	227,069	19.11

11-Sep-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

3 August 2020

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2027 bonds are presently trading at a yield of 4.57%, which is *circa* 73 basis points higher than other corporate bonds maturing in the same year. The premium over FY2027 Malta Government Stock is 432 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including room reservations, food & beverage and other revenue streams.
Cost of sales	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, impairment provisions, share of results from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs and include general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.



Share of results of associates	The Guarantor owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the db Group, but the Guarantor's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Key Performance Indicators	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per occupied room (RevPOR)	RevPOR is calculated by adding all income generated (room accommodation, food & beverage and other income) and dividing it by the number of occupied rooms. A hotel uses this indicator as a performance measure with other hotels in the same category or market to determine how well the hotel property is yielding.
Gross operating profit per available room (GOPAR)	GOPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the available rooms. This indicator is another performance measure used in the hotel industry.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Gross operating profit generating index (GOPGI)	A gross operating profit generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) gross operating profit per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.



Profitability Ratios	
Gross profit margin	Gross profit margin is the difference between revenue and direct costs expressed as a percentage of total revenue.
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.



Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include intangible assets (including goodwill on acquisition), investments in associates (Malta Healthcare Caterers Ltd, Porto Azzurro Ltd, Sky Gourmet Ltd and Sky Gourmet Malta Inflight Services Ltd), property, plant & equipment (hotel properties), and deferred tax assets.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include longterm borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Net assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.



Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

