



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

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## **COMPANY ANNOUNCEMENT**

### **Audited Financial Statements**

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

#### **Quote**

At a meeting of the Board of Directors of SD Finance plc (“the Issuer”) held today, 29<sup>th</sup> of July 2021, the attached Audited Financial Statements for the year ending 31<sup>st</sup> of March 2021 were approved by the Board.

#### **Unquote**

A handwritten signature in black ink, appearing to read 'Shaheryar Ghaznavi', with a small mark below it.

**Shaheryar Ghaznavi**  
Company Secretary

29<sup>th</sup> July 2021  
Ref: SDA47

SD FINANCE plc

Annual Report and Financial Statements  
31 March 2021

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2021.

### Principal activities

The company's principal activity is to carry on the business of an investment company, by raising funds to finance the operations and capital projects of the companies forming part of the db Group.

### Review of business

During the period under review, finance income on loans and ancillary revenue from SD Holdings Limited, the guarantor of the Company's bonds, and Seabank Hotel and Catering Limited and Hotel San Antonio Limited (fellow subsidiaries), amounted to €3 million (2020: €3 million), whilst interest payable on bonds totalled €2.91 million (2020: €2.91 million).

Administrative expenses mainly representing listing and compliance costs, together with directors' and professional fees amounted to €84,796 (2020: €82,898). Profit for the period after tax remained consistent with prior year at €4,939 (2020: €4,814).

The Company's balance sheet is primarily made up of the bond issue for €65 million (classified as non-current liabilities) and the loans receivable from SD Holdings Limited, Seabank Hotel and Catering Limited and Hotel San Antonio Limited (classified as non-current assets). No significant movements were noted during the year. SD Finance plc's equity as at year end is stated at €280,137 (2020: €275,198) primarily made up of the initial share capital funds.

The Company recognises that the key risk and uncertainty of its business is that of the potential non-fulfilment by the borrowers (noted above) of their obligations.

### *Guarantor's performance for 2021 and outlook for 2022*

The db Group owned by SD Holdings Limited, as guarantor to the Bond Issue, continued experiencing a volatile period as a result of the Covid-19 pandemic. The group's two hotels closed their doors twice during the current financial year, which resulted in a significant drop in turnover and profitability. The same can be said for the other catering establishments operated by the group, that had to follow strict health related regulations which reduced available covers when they could open. The reduction in turnover was partially mitigated by the first full year of operation of the group's novelty restaurant in Valletta and the Starbucks outlet in Bugibba, that opened in May 2020.

The Group continued monitoring the COVID-19 outcome, taking all necessary health precautions as directed by the Health Authorities and managing its operations so as to reduce costs and maintain appropriate liquidity levels. Non-essential service contracts and retainers were kept at a minimum and all staff was asked to work on a reduced working schedule. The Group also availed of the COVID-19 Government schemes that it was entitled to. Furthermore, during the year the Group secured and 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. As at 31 March 2021, the Group has still a substantial cash reserve of over €32 million.

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 within the restrictions and guidelines issued by the Health Authorities. Following a successful vaccination drive in Malta, restrictions imposed by the Health Authorities were gradually eased during June 2021 and once again flights were operating more frequently. This resulted in higher accommodation bookings and satisfactory results in the hospitality and leisure sectors have been registered. We further note that all employees are now back on a 40-hour working week. However, the pandemic is not over yet and the situation may deteriorate once again both in Malta and abroad which may result in new restrictions imposed.

## **Directors' report** - continued

### **Review of business** - continued

#### *Guarantor's performance for 2021 and outlook for 2022 - continued*

Conversely, 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 somehow mitigated to a lesser extent the negative effects experienced within the hospitality and leisure arm of the Group's business model. Moreover, the opening of the new 504-bed wing at the *Saint Vincent de Paul Residence*, which is run and managed by a Group's associate, helped to mitigate against the negative impact experienced in the other sectors within the Group.

The Group has also prepared projections for the coming 3 years, based on historical financial information and forecasts, but factoring in the gradual return to normality following the mayhem created by the COVID-19 pandemic.

The projections 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, Group shall overcome the disruptions brought about by this pandemic. 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.

#### *Issuer's outlook for the financial year ending 2022*

Amid the disruptions faced by the Group, the Issuer paid its bondholders the full interest that was due in April 2021. Furthermore, in view of the measures undertaken by the Group, the projections outlined above and the cash reserves available to the Group, the directors are of the opinion that the Issuer will have the necessary funds to finance the interest falling due in April 2022 and going forward. The board of the issuer, having reviewed the group's three-year cashflow forecast, further confirms this statement.

### **Financial risk management**

The company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. Refer to Note 2 to these financial statements.

### **Results and dividends**

The company's financial results are set out on page 21. The directors do not recommend the payment of a dividend.

The directors propose that the balance of retained earnings amounting to €30,137 (2020: €25,198) be carried forward to the next financial year.

## Directors' report – continued

### Directors

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

Silvio Debono  
Robert Debono  
Arthur Gauci  
Philip Micallef  
Vincent Micallef  
Stephen Muscat

The company's Articles of Association do not require any director to retire.

### 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 company as at the end of each reporting 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 company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of SD Finance plc for the year ended 31 March 2021 are included in the Annual Report 2021, which is made available on the db Group website.

The directors 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.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company as at 31 March 2021, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company and the guarantor face.

**Directors' report** - continued

**Going concern statement pursuant to Listing rule 5.62**

After making enquiries, the directors, at the time of approving the financial statements, have determined that it is reasonable to assume that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

**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



Robert Debono  
Director



Stephen Muscat  
Director

Registered office:  
Seabank Hotel  
Marfa Road  
Mellieha  
MLH 9064  
Malta

Company secretary  
Dr Shaheryar Ghaznavi

Telephone (+356) 2289 1000

29 July 2021

## Corporate Governance - Statement of Compliance

### Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, SD Finance plc (the "Company" or the "Issuer" - a fully owned subsidiary of SD Holdings Limited) hereby reports on the extent to which the company has adopted The Code of Principles of Good Corporate Governance (the "Code") appended to Chapter 5 of the Listing Rules as well as the measures adopted to ensure compliance with these same Principles.

Since its incorporation, the company's principal activity was to raise funds from the capital market to finance the operations of other group companies forming part of the db Group (the "Group").

The Company acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders. In deciding on the most appropriate manner in which to implement the Principles, the Board of SD Finance plc (the "Board") has taken cognisance of its size, which inevitably impacts on the structures required to implement the Principles without diluting the effectiveness thereof. The Company does not have any employees.

The Board considers that, to the extent otherwise disclosed herein, the Company was generally in compliance with the Principles throughout the period under review.

### Roles and Responsibilities

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for:

- the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds; and
- monitoring that its operations are in conformity with its commitments towards bondholders, shareholders and all relevant laws and regulations.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

### The Board of Directors

Principles One to Five of the Code deal fundamentally with the role of the Board of Directors.

The Board is composed of six members. For the first half of the financial year, the Company had three executive and three non-executive directors. In the second half of the financial year, one Executive Director resigned from his executive role but remained as director of various companies within the group. Additionally, he was engaged as a consultant within the Group. The non-executive directors are independent from the Group.

The two executive directors, Mr Silvio Debono and Mr Robert Debono, occupy various senior executive and directorship positions within the Group. Mr Arthur Gauci is a director of a number of entities within the Group.

The three non-executive directors are Mr Philip Micallef, Dr Vince Micallef and Mr Stephen Muscat. Dr Vince Micallef is also the Company secretary of a number of entities within the Group.



## **Corporate Governance - Statement of Compliance** - continued

### **The Board of Directors** - continued

The three non-executive directors are considered by the Board as independent directors since they are free of any significant business relationship, family or other relationships with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement.

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of bondholders and the shareholders. During the current financial period, meetings of the Board were held as frequently as considered necessary.

The Board members are notified of forthcoming meetings by the Company secretary (Dr Shaheryar Ghaznavi) with the issue of an agenda and supporting documents as necessary which are then discussed during the Board meetings.

The Board does not consider it necessary to institute separate committees for remuneration and nomination, as would be appropriate in an operating company. During the financial year, the Board met three times and was attended by more than 75% of the Officers of the Company. During this year, the Board did not undertake a performance evaluation of its role in accordance with Article 7 of the Corporate Governance Code, but intends to do so in the coming year.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- the direct supervision, supported by expert professional advice as appropriate, on the issue and listing of bonds;
- that the proceeds of the bonds are applied for the purposes for which they were sanctioned as specified in the prospectus of the bonds issued;
- the proper utilisation of the resources of the Company;
- the annual report and financial statements, the relevant public announcements and the Company's compliance with its continuing listing obligations.

### **Remuneration Statement**

The Board confirms that the maximum annual aggregate emoluments that may be paid to the directors pursuant to the Company's Memorandum and Articles of Association, was approved by the shareholders at the Annual General Meeting. None of the directors has service contracts with the Company. Furthermore, the remuneration of each of the independent non-executive directors is a fixed honorarium of €5,000 per annum. The executive directors do not earn any fixed honorarium from the Company but have an indefinite full-time contract of service with companies forming part of the db Group.

None of the directors have any variable component remuneration relating to profit sharing, share options or pension benefits from the Company.

The Board further confirms that the Company does not intend to effect any changes to its remuneration policy for the following year.

## **Corporate Governance - Statement of Compliance** - continued

### **Risk Management and Internal Control**

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the financial period under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Board recognises that the Company must manage a range of risks in the course of its activities and in this respect maintains a sound risk management and internal control system which includes the determination of the nature and extent of the risks it is willing to take in achieving its strategic objectives.

The Board, in this financial period, established a formal and transparent arrangement to apply risk management and internal control principles, as well as maintaining an appropriate relationship with the Company's auditors.

The Board is adjourned periodically of the financial affairs and operational developments of the group entities to whom the Issuer has advanced the proceeds from the bond issue.

### **Audit Committee**

During the current financial period, the Audit Committee met four times with 100% attendance.

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities relating to risk, control and governance; as well as to review the financial reporting processes. The Board has set formal terms of reference of the Audit Committee that establish its composition, role and functions. The Audit Committee is a subcommittee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Furthermore, the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction was at arm's length and on a commercial basis and ultimately in the best interests of the Company.

As required by the Maltese Companies Act (Cap. 386) and the Malta Financial Services Authority Listing Rules, the financial statements of SD Finance plc are subject to annual audit by its external auditors. Moreover, the Audit Committee has direct access to the external auditors of the Company, who attend the Board meetings at which the Company's financial statements are approved.

The Audit Committee is composed of three independent non-executive directors, in accordance with Listing Rule 5.117. The members of the Audit Committee are Mr Stephen Muscat, Mr Philip Micallef and Dr Vince Micallef. Mr Stephen Muscat, who also acts as the Chairman of the Audit Committee, is a Certified Public Accountant and is considered by the Board to be both independent and competent in accounting as required in terms of the Listing Rules.

## Corporate Governance - Statement of Compliance - continued

### Relations with Bond Holders and the Market

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act (Cap. 386) and the Malta Financial Services Authority Listing Rules, the Annual Report and Financial Statements, the election of directors and approval of directors' fees, the appointment of the auditors and the authorisation of the directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

The Company communicates with its bondholders by publishing its interim results for a six-month period during the year and by way of publication of the full year Audited Financial Statements. The Financial Analysis Summary is also published in September. Additionally, during the current financial period, the Company organised a specific session for Financial Intermediaries and the press to explain the Company's results and those of the Group. During the period April 2020 to March 2021, the company issued eleven company announcements. The Board deems that it is providing the market with adequate information about its activities through these channels.

In this respect, the directors are of the view that Principle Ten of the Code of Corporate Governance is not applicable to the Company.

### Other Information

In view of the size and type of operations of the Company, the Board does not consider the Company to require the setting up of a nomination committee.

During the financial period under review, no private interests or duties unrelated to the Company were disclosed by the directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards the Company.

The Company is a member of the db Group, which group has its own program for Corporate Social Responsibility initiatives.

### Conclusion

The Board considers that the Company has generally been in compliance with the principles throughout the period under review as befits a company of this size and nature.

Approved by the Board on 29 July 2021 and signed on its behalf by:



Robert Debono  
Director



Stephen Muscat  
Director



## *Independent auditor's report*

To the Shareholders of SD Finance plc

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- The financial statements give a true and fair view of the financial position of SD Finance plc (the Company) as at 31 March 2021, and of the 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).

Our opinion is consistent with our additional report to the Audit Committee.

#### **What we have audited**

SD Finance plc's financial statements, set out on pages 20 to 36, comprise:

- the statement of financial position as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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.





## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

### **Independence**

We are independent of the 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 April 2020 to 31 March 2021, are disclosed in Note 12 to the financial statements.

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### *Our audit approach*

#### **Overview**

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Overall materiality: €673,000, which represents 1% of total assets.

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Recoverability of loans issued to the guarantor of the bonds and fellow subsidiaries

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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.



## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b><i>Overall materiality</i></b>	€673,000
<b><i>How we determined it</i></b>	1% of total assets
<b><i>Rationale for the materiality benchmark applied</i></b>	We chose total assets as the benchmark because, in our view, it is an appropriate measure for this type of entity. We chose 1%, which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €67,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



## Independent auditor's report - continued

To the Shareholders of SD Finance plc

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<i>Recoverability of loans issued to the guarantor of the bonds and fellow subsidiaries (Notes 2.1(a) and 4)</i>	
Loans receivable represent funds advanced to the company's parent, SD Holdings Limited, which is also the guarantor of the bonds issued by the company, and to fellow subsidiaries Hotel San Antonio Limited and Seabank Hotel and Catering Limited. Loan balances with these related parties as at 31 March 2021 amounted to €62.2 million.	We have agreed the terms of these loans to supporting loan agreements. We have assessed the financial soundness of these related parties. In doing this, we made reference to the latest audited financial statements, management accounts, cash flow projections, forecasts and other prospective information made available to us.
As explained in accounting policy Note 1.3.3, the recoverability of the loans is assessed at the end of each financial year.	We also understood the impact of the COVID-19 pandemic on the financial performance and cash flows of the guarantor.
The loans are the principal asset of the company, which is why we have given additional attention to this area.	Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.





## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report and Corporate Governance – Statement of Compliance (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information 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, 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.

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### *Responsibilities of the directors and those charged with governance 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 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 company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.





## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

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### *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 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 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 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 company and its 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.



## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Independent auditor's report - continued

To the Shareholders of SD Finance plc

### Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2021* 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 <i>Annual Report and Financial Statements 2021</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Directors' report</b> (on pages 1 to 4)</p> <p>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 Finance plc

Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Corporate Governance - Statement of Compliance</b> (on pages 5 to 8)</p> <p>The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p>	<p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.</p>	<p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <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 Finance plc

Area of the Annual Report and Financial Statements 2021 and the related Directors’ responsibilities	Our responsibilities	Our reporting
	<p><b>Other matters on which we are required to report by exception</b></p> <p>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 also have responsibilities under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>

*Other matter – use of this report*

Our report, including the opinions, has been prepared for and only for the 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.



## *Independent auditor's report - continued*

To the Shareholders of SD Finance plc

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### *Appointment*

We were first appointed as auditors of the company on 12 January 2018. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years. The company became listed on a regulated market on 4 May 2017.

#### **PricewaterhouseCoopers**

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



Stefan Bonello  
Partner

29 July 2021

## Statement of financial position

		As at 31 March	
		2021	2020
		€	€
ASSETS	Notes		
<b>Non-current assets</b>			
Loans receivable	4	<b>62,232,686</b>	62,232,686
<b>Current assets</b>			
Receivables	5	<b>2,819,773</b>	2,803,540
Cash and cash equivalents	6	<b>2,293,486</b>	2,199,611
Total current assets		<b>5,113,259</b>	5,003,151
<b>Total assets</b>		<b>67,345,945</b>	67,235,837
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	7	<b>250,000</b>	250,000
Retained earnings		<b>30,137</b>	25,198
<b>Total equity</b>		<b>280,137</b>	275,198
<b>Non-current liabilities</b>			
Borrowings	8	<b>64,401,010</b>	64,314,699
<b>Current liabilities</b>			
Payables	9	<b>2,664,101</b>	2,641,589
Current tax liabilities		<b>697</b>	4,351
Total current liabilities		<b>2,664,798</b>	2,645,940
<b>Total liabilities</b>		<b>67,065,808</b>	66,960,639
<b>Total equity and liabilities</b>		<b>67,345,945</b>	67,235,837

The notes on pages 24 to 36 are an integral part of these financial statements.

The financial statements on pages 20 to 36 were authorised for issue by the board on 29 July 2021 and were signed on its behalf by:

  
Robert Debono  
Director

  
Stephen Muscat  
Director



## Statement of comprehensive income

	Notes	Year ended 31 March	
		2021 €	2020 €
Finance income	10	<b>3,005,960</b>	3,000,903
Finance costs	11	<b>(2,913,811)</b>	(2,910,353)
<b>Net interest income</b>		<b>92,149</b>	90,550
Administrative expenses	12	<b>(84,796)</b>	(82,898)
<b>Profit before tax</b>		<b>7,353</b>	7,652
Tax expense	14	<b>(2,414)</b>	(2,838)
<b>Profit for the year</b>			
<b>- Total comprehensive income</b>		<b>4,939</b>	4,814

The notes on pages 24 to 36 are an integral part of these financial statements.



## Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2019	250,000	20,384	270,384
<b>Comprehensive income</b>			
Profit for the year - total comprehensive income	-	4,814	4,814
Balance at 31 March 2020	250,000	25,198	275,198
<b>Comprehensive income</b>			
Profit for the year - total comprehensive income	-	4,939	4,939
<b>Balance at 31 March 2021</b>	<b>250,000</b>	<b>30,137</b>	<b>280,137</b>

The notes on pages 24 to 36 are an integral part of these financial statements.

## Statement of cash flows

	Note	Year ended 31 March	
		2021 €	2020 €
<b>Cash flows from operating activities</b>			
Interest received		2,989,727	416,116
Interest paid		(2,817,585)	(2,838,591)
Cash paid to services providers		(72,199)	(84,608)
Tax paid		(6,068)	(4,497)
Net cash generated from/(used in) operating activities		93,875	(2,511,580)
<b>Net movement in cash and cash equivalents</b>		<b>93,875</b>	<b>(2,511,580)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,199,611</b>	<b>4,711,191</b>
<b>Cash and cash equivalents at end of year</b>	6	<b>2,293,486</b>	<b>2,199,611</b>

The notes on pages 24 to 36 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 the period presented, unless otherwise stated.

#### 1.1 Basis of preparation

In view of the current situation brought about by the COVID-19 pandemic, the company recognises that the key risk and uncertainty of its operations is that of the potential non-fulfilment by the borrowers, (that is SD Holdings Limited, Seabank Hotel and Catering Limited and Hotel San Antonio Limited) of their obligations.

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 €32 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 of the guarantor 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 27.8% as at 31 March 2021. This will enable the Group to ensure that it does meet its commitments both financial and otherwise and hence the company's obligations to bondholders should be met in full.

On this basis, the directors have assessed that the company is expected to have the necessary funds to finance the payment of bond interest falling due in April 2021 and 2022 and 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.

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.

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).

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

During the current financial year, the company adopted amendments to existing standards that are mandatory for the company's accounting period beginning on 1 April 2020. 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 impacting the company's financial performance and position.

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

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

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 company's accounting periods beginning after 1 April 2020. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

### 1.2 Foreign currency translation

#### *(a) Functional and presentation currency*

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

#### *(b) Transactions and balances*

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

### 1.3 Financial assets

#### 1.3.1 Classification

The company classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

#### *Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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

**1.3 Financial assets - continued**

**1.3.2 Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company 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.

Interest income on debt instruments measured at amortised cost is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

**1.3.3 Impairment**

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

*Expected credit loss model*

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

## 1. Summary of significant accounting policies - continued

### 1.3 Financial assets - continued

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For the loans receivable from related parties and cash and cash equivalents, the expected credit losses are immaterial.

### 1.4 Receivables

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

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 company holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### 1.5 Cash and cash equivalents

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

### 1.6 Share capital

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

### 1.7 Financial liabilities

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

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

**1.8 Borrowings**

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

Issue costs incurred in connection with the issue of the bonds include professional fees, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

**1.9 Payables**

Payables comprise 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. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**1.10 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.

**1.11 Current and deferred tax**

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

Deferred tax is recognised, 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, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

**1.12 Interest income and expense**

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

**2. Financial risk management**

**2.1 Financial risk factors**

The company constitutes a financing special purpose vehicle whose bond proceeds were advanced to SD Holdings Limited (parent undertaking), Hotel San Antonio Limited and Seabank Hotel and Catering Limited (both fellow subsidiaries of the issuer). The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to currency risk and the directors deem interest rate risk exposure to be minimal due to the matching of its interest costs on the bonds with its interest income from its loans and receivables referred to above.

**(a) Credit risk**

Credit risk primarily arises from loans receivable from SD Holdings Limited, Hotel San Antonio Limited and Seabank Hotel and Catering Limited (Note 4), receivables (Note 5) and cash and cash equivalents (Note 6).

The maximum exposure to credit risk at the end of the reporting period in respect of the company's financial assets is equivalent to their carrying amount, which is analysed as follows:

	2021	2020
	€	€
Financial assets measured at amortised cost:		
Loans receivable from parent undertaking and fellow subsidiaries (Note 4)	<b>62,232,686</b>	62,232,686
Receivables (Note 5)	<b>2,819,773</b>	2,803,540
Cash and cash equivalents (Note 6)	<b>2,293,486</b>	2,199,611
	<b>67,345,945</b>	67,235,837

*Cash and cash equivalents*

The company'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

#### *Loans receivable and other amounts owed by related parties*

The company's loans receivable consist of advances to related parties forming part of the db Group (refer to Note 4), which advances have been effected out of the company's bond issue proceeds. The company 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 company's collateral held as security in respect of the financial assets is disclosed in Note 4 to the financial statements. The guarantor in relation to the bond issue (SD Holdings Limited) is in fact one of the borrowers. The company assesses the credit quality of the db Group taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

Loans receivable from related parties are categorised as Stage 1 for IFRS 9 purposes (i.e. performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12-month probability of default, capturing 12-month expected losses. On 31 March 2021, the company's directors reviewed the company's financial assets in particular the loans advanced to related parties (see Note 4). In view of the respective entity's history, results to date, gearing ratios and reserves, as well as forward looking estimates, the directors applied judgement in determining the appropriate expected credit loss provisions as a result of adopting the expected future loss framework under IFRS 9.

Following the assessment of the directors, all of the company's financial assets are considered to have low credit risk and a low risk of default. In this respect, the loss allowance was deemed immaterial to be recognised in the balance sheet on as at 31 March 2021.

The company's other receivables mainly include interest receivable from the company's parent and other related parties in respect of the advances referred to previously. 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. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

#### (b) Liquidity risk

The company 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 and other payables (refer to Notes 8 and 9 respectively). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to related parties effected out of the bond issue proceeds, together with any related interest receivable, match the cash outflows in respect of the company's bond borrowings, covering principal and interest payments, as referred to in Note 9 and reflected in the table below.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

The following table analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>31 March 2021</b>					
Borrowings	2,827,500	2,827,500	8,482,500	70,655,000	84,792,500
Payables	23,695	-	-	-	23,695
	<b>2,851,195</b>	<b>2,827,500</b>	<b>8,482,500</b>	<b>70,655,000</b>	<b>84,816,195</b>
<b>31 March 2020</b>					
Borrowings	2,827,500	2,827,500	8,482,500	73,482,500	87,620,000
Payables	11,098	-	-	-	11,098
	<b>2,838,598</b>	<b>2,827,500</b>	<b>8,482,500</b>	<b>73,482,500</b>	<b>87,631,098</b>

### 2.2 Capital risk management

The db Group objectives when managing capital at subsidiary level are to safeguard the respective company'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 company may issue new shares or adjust the amount of dividends paid to shareholders.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognisance of the nature of the company's assets, together with collateral held as security, backing the company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

### 2.3 Fair values of financial instruments

At 31 March 2021, the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments. The fair values of the interest bearing loans receivable were not significantly different from their carrying amounts at the end of the reporting period based on discounted cash flows using market interest rates prevailing at 31 March 2021. 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 8 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 judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgments 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.

### 4. Loans receivable

	2021 €	2020 €
<b>Non-current</b>		
Loan to parent	1,488,101	1,488,101
Loans to fellow subsidiaries	60,744,585	60,744,585
	<b>62,232,686</b>	62,232,686

The loans receivable represent the proceeds from the bond issue (see Note 8) which have been advanced by the company 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 certain redeemable preference shares of Seabank Hotel and Catering Limited, and for the general corporate funding purposes of the db Group.

These loans are subject to interest at a fixed interest rate of 4.55% (2020: 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 reporting period, the element of the floating rate interest was 0.28% (2020: 0.27%). The loans are unsecured and repayable by not later than 10 April 2027.

### 5. Receivables

	2021 €	2020 €
<b>Current</b>		
Amounts owed by parent	67,426	67,038
Amounts owed by fellow subsidiaries	2,752,347	2,736,502
	<b>2,819,773</b>	2,803,540

### 6. Cash and cash equivalents

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

	2021 €	2020 €
Cash at bank and in hand	2,293,486	2,199,611

**7. Share capital**

	2021 €	2020 €
<b>Authorised</b>		
250,000 ordinary shares of €1 each	<b>250,000</b>	250,000
<hr/>		
<b>Issued and fully paid</b>		
250,000 ordinary shares of €1 each	<b>250,000</b>	250,000
<hr/>		

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

**8. Borrowings**

	2021 €	2020 €
<b>Non-current</b>		
650,000 4.35% Bonds 2017-2027	<b>64,401,010</b>	64,314,699
<hr/>		

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:

	2021 €	2020 €
Original face value of bonds issued	<b>65,000,000</b>	65,000,000
<hr/>		
Gross amount of bond issue costs	<b>(924,036)</b>	(924,036)
Accumulated amortisation	<b>325,046</b>	238,735
<hr/>		
Unamortised bond issue costs	<b>(598,990)</b>	(685,301)
<hr/>		
<b>Amortised cost and closing carrying amount of the bonds</b>	<b>64,401,010</b>	64,314,699
<hr/>		

**8. Borrowings - continued**

By virtue of an offering memorandum dated 27 March 2017, the company 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 2021 for the bonds was €101.50 (2020: €98), 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 €535,000 (2020: €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 company to related parties (refer to Note 4).

**9. Payables**

	2021 €	2020 €
<b>Current</b>		
Interest payable accrued	2,640,406	2,630,491
Other accruals	8,762	7,635
Other payables	14,933	3,463
	2,664,101	2,641,589

**10. Finance income**

	2021 €	2020 €
Interest income on loan advanced to parent	71,878	71,757
Interest income on loans advanced to fellow subsidiaries	2,934,082	2,929,146
	3,005,960	3,000,903

**11. Finance costs**

	2021 €	2020 €
Bond interest expense	2,913,811	2,910,353

**12. Expenses by nature**

	2021 €	2020 €
Directors' fees (Note 13)	15,087	15,087
Listing and related compliance costs	45,058	47,815
Legal and professional fees	22,648	17,974
Other expenses	2,003	2,022
	84,796	82,898

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial years ended 31 March 2021 and 2020 relate to the following:

	2021 €	2020 €
Annual statutory audit	7,000	6,000
Tax advisory and compliance serves	500	500
	7,500	6,500

**13. Directors' emoluments**

	2021 €	2020 €
Directors' fees	15,087	15,087
	15,087	15,087

**14. Tax expense**

	2021 €	2020 €
<b>Current taxation</b>		
Current tax expense	2,414	2,678
Under provision in prior year	-	160
	2,414	2,838

**14. Tax expense - continued**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021 €	2020 €
Profit before tax	7,353	7,652
Tax on profit at 35%	2,574	2,678
Tax effect of:		
Under provision of tax in prior year	-	160
Other differences	(160)	-
	2,414	2,838

**15. Net debt reconciliation**

Other than as disclosed in Note 8 'Borrowings' with respect to the amortisation of bond issue costs, there were no further movements in the company's net debt.

**16. Related parties**

The company forms part of the db Group of Companies. All companies forming part of the db Group are related parties since these companies are all ultimately owned by SD Holdings Limited.

Transactions with companies forming part of db Group principally include advances effected by the company during the preceding financial period, out of the bond issue proceeds, as disclosed in Note 4 to the financial statements. Interest income earned from these advances is disclosed in Note 10. Other year end balances with related parties are disclosed separately in Note 5 and such balances are unsecured, interest free and repayable on demand.

Key management personnel comprises the directors of the company. Key management personnel compensation, consisting of remuneration to the company's directors, has been disclosed in Note 13.

**17. Statutory information**

SD Finance plc is a limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of SD Finance plc is SD Holdings Limited, a company registered in Malta, with its registered address at db Seabank Resort & Spa, Marfa Road, Mellieha Bay, Mellieha, MLH 9064, Malta.

The ultimate beneficial owner of SD Holdings Limited is Silvio Debono.