Company Registration No.: C 27835

QAWRA PALACE P.L.C.

Annual Financial Report
and
Financial Statements

31 March 2024

CONTENTS

GENERAL INFORMATION

Registration

Qawra Palace p.l.c. ("the Company") is registered in Malta as a public limited liability company under the Maltese Companies Act (Cap. 386). The Company's registration number is C 27835.

Directors

Edward Vella
Esther Vella
Victor Vella
Robert Ancilleri
Stephen Muscat
Paul Muscat

Company Secretary

Luca Vella

Registered Office and Principal Place of Business

Qawra Palace p.l.c.
Qawra Palace Hotel
Coast Road
St. Paul's Bay SPB 1902
Malta

Bankers

Bank of Valletta p.l.c.
58, Zachary Street
Valletta VLT 1130
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

DIRECTORS' REPORT

The Directors present their annual financial report and the audited financial statements of Qawra Palace p.l.c. ("the Company") for the year ended 31 March 2024.

Principal activity

The Company is a property holding company whose principal objects are as set out in clause four (4) of its Memorandum of Association – namely, to carry on the business of a property holding company and to construct, maintain, alter, equip or convert any buildings or amenities as may be required in connection with the establishment of a hotel and/or tourist or leisure centre. The Company owns the Qawra Palace Hotel located on the Qawra promenade, which has recently undergone a significant refurbishment and which refurbishment is still underway and is targeted to be fully completed by September 2024.

Given that the Company is not a trading company, it is economically dependent on the income it derives from Mallard Co. Ltd. (C 4758), a related company ("Mallard"), the entity entrusted with the management and operation of the Qawra Palace Hotel. The Company gave monies on-lent to Mallard Co. Ltd. from the proceeds of the Bond Issue (as described below and detailed in the Prospectus dated 20 December 2022).

In March 2023, the Company raised €25 million from a public bond issue; specifically, the issue by the Company of €25 million worth of 5.25% secured bonds 2033 (the "Bond Issue") with a nominal value of €100 per bond and issued at par (the "Bonds") in terms of a prospectus dated 20 December 2022 (the "Prospectus"). The Bonds were admitted to listing on the Official List of the Malta Stock Exchange with effect from 8 February 2023.

The bond subscriptions closed in March 2023 with the bonds being fully subscribed. The proceeds of the Bond Issue were utilised in line with the Prospectus dated 20 December 2022, with €16.4 million repaying existing bank loans, €6.7 million passed on by way of loan to Mallard Co. Ltd. to upgrade the existing hotel and develop new amenities and catering outlets within the complex and the remaining portion of €1.9 million allocated for general corporate funding purposes.

Review of the business

The Company's total assets as at 31 March 2024 stood at €91,552,839 (2023: €85,073,068). The Company reported a profit before tax of €6,232,946 (2023: €21,328,281) for the year ended 31 March 2024. This was mainly attributable to the revaluation of the property which has been recognised in the statement of comprehensive income, resulting in a gain in fair value amounting to €4,698,620 (2023: €21,529,971).

Results and dividends

The statement of comprehensive income is set out on page 13. The directors do not recommend the payment of a dividend and propose that the balance of retained earnings of the Company amounting to €56,611,945 (2023: €51,335,740) be carried forward to the next financial year.

Corporate social responsibility

As part of the Company's values, the Board of Directors ("the Board") is committed to protecting the surrounding communities and environment. The Board exercises the necessary oversight to ensure that Mallard Co. Ltd adopts strategies to operate the Qawra Palace Hotel in a responsible manner.

The Board makes sure that the related party from which income is derived adopts rigorous policies and procedures that ensure adherence to the various rules and regulations to which it is subject. It complements this with different training schemes to the staff. The Company seeks regular assurance that all members of staff of Mallard are up to date with latest developments and well prepared for regular visits and tests that are carried out periodically to verify that the hotel remains Eco-Compliant.

DIRECTORS' REPORT - continued

Corporate social responsibility - continued

The Company is focused and committed to invest in activities that preserve, protect and enhance nature over the long-term. The Board also supports initiatives such as the annual clean-up of the Qawra coast area and encourages staff to join the Company and its related company in their activities that contribute towards the well-being of society at large.

Principal risks and uncertainties

The Company is exposed to risks relating to the management and operations of the Qawra Palace Hotel, dependency on the related company, and the ongoing refurbishment of the Qawra Palace Hotel, together with other generic risks emanating from the hospitality and tourism industry. Other risks include competition risk, risks relating to the Company's indebtedness and to the hypothecated investment property. The directors are confident that the Company has the right framework and the appropriate policies and procedures in place to mitigate the effects that such risks might have on the business.

Financial risk management

The Company is exposed to a variety of financial risks, including market risk (cash flows and fair value interest rate risk), credit risk and liquidity risk which are further analysed in Note 21 in these financial statements.

Events after the end of the reporting period

No significant events have occurred after the end of the reporting period which require mention in this report.

Outlook for 2025

The Company is optimistic about the future and is reassured by the fact that Mallard is on track with the projected results. This augurs well in ensuring that Mallard honours its financing and other commitments to the Company in a timely manner as and when they fall due.

Mallard reported a turnover for the year ended 31 March 2024 of over €13 million (2023: €6 million). Despite not meeting the Hotel opening target date of mid-April 2023, the Company still managed to reach the projected revenue for year ending 31 March 2024. That is, a 32.27% increase in revenue over pre-pandemic results.

The Qawra Palace Hotel reopened for business in June 2023 and since then it has been experiencing significant demand with remarkably positive occupancy rates. The extension and upgrade of the Hotel has enabled the Hotel to compete with the top performing 4-star hotels in the northern area of Malta. The Qawra Palace Resort & SPA now has 567 rooms spread over ten floors, offering 5 themed restaurants, a coffee shop, 3 bars, a fitness centre, an interactive squash court, an outdoor pool, a roof top pool, a heated indoor pool and extensive conference facilities.

On the strength of the increased demand, projected revenue for the year ending 31 March 2025 is of €23 million. Current average achieved room rates stand at €117.66, while average occupancy levels are expected to reach 86.56%.

With these encouraging results the Board is very optimistic for the future and Mallard is expected to return to sustainable profitability as from year ended 31 March 2025.

DIRECTORS' REPORT - continued

Material contracts

The following contracts of a material nature have been entered into by the Company:
- Lease agreement with a related company commencing on 1 April 2023;
- Loan facility agreement with a related company.

Directors

The directors who held office during the year under review were:
- Mr Edward Vella - Executive and Managing Director
- Ms Esther Vella - Executive Director
- Mr Victor Vella - Executive Director
- Mr Robert Ancilleri - Independent Non-Executive Director
- Mr Stephen Muscat - Independent Non-Executive Director
- Mr Paul Muscat - Independent Non-Executive Director

In accordance with the Company's Memorandum and Articles of Association, all directors except for the Managing Director shall retire from office at least once every three years, but shall be eligible for re-election.

Company secretary

During the year ended 31 March 2024, Dr Luca Vella continued to act as company secretary to the Board of Directors and the Audit Committee.

The Company's registered office is at Qawra Palace p.l.c., Qawra Palace Hotel, Coast Road, St. Paul's Bay SPB 1902, Malta.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities for the financial statements

The Directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the 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 European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates and judgements that are reasonable in the circumstances;
- valuing separately the components of asset and liability items;
- reporting comparative figures corresponding to those of the preceding accounting period; and
- 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 responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap.386) This responsibility includes 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. The Directors 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 Qawra Palace p.l.c. for the year ended 31 March 2024 are included in the Annual Financial Report 2024, which is on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Financial 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 Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

Disclosure in terms of the Capital Markets Rules Pursuant to Capital Markets Rule 5.68

Statement by directors on the financial statements and other information included in the annual financial report

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

- the financial statements included in the annual financial report give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the European Union and with the Maltese Companies Act (Cap. 386); and
- in accordance with the Capital Market Rules, the directors' 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 faces.

DIRECTORS' REPORT - continued

Going concern statement pursuant to Capital Markets Rule 5.62

The Company has generated revenue of €2.4 million during the financial year under review. Mallard Co. Ltd has started paying interest on the loans advanced by the Company as from April 2023, given that the Hotel has only opened for business in June 2023. The Company registered an operating profit before tax for the year of €2,249,634 (2023: a loss of €70,967).

As explained in the 'Outlook for 2025', section of this report, Mallard's results for the year ending 31 March 2025 are expected to keep improving since Qawra Palace Hotel keeps experiencing significant demand with remarkably positive occupancy rates. With works to be fully completed in September 2024, the Hotel is now better placed to offer a complete service proposition and expects room and occupancy rates to keep increasing.

After making enquires and having taken into consideration the future plans of the Company and the related company, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Share capital structure pursuant to Capital Markets Rule 5.64

The Company has an authorised and issued share capital of €2,329.373 divided into 1,000,000 Ordinary Shares with a nominal value of €2.329373 each, which are fully paid up, and subscribed to and held by three shareholders as summarised below:

Angelo Holdings Ltd (C 9162) – 450,000 Ordinary Shares, equivalent to 45% of the Company's issued share capital

Charella Company Limited (C 4035) - 430,000 Ordinary Shares, equivalent to 43% of the Company's issued share capital

Edoardo Company Limited (C 5062) - 120,000 Ordinary Shares, equivalent to 12% of the Company's issued share capital

All Ordinary Shares are entitled to attend and vote at General meetings, whereupon each Ordinary Share shall be entitled to one vote. The Ordinary Shares in the Company shall rank pari passu for all intents and purposes at law. There are currently no different classes of Ordinary Shares in the Company and, accordingly, all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital.

Signed on behalf of the Board of Directors on 29 July 2024 by Edward Vella (Executive and Managing Director) and Robert Ancilleri (Non-Executive, Independent Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Capital Markets Rules issued by the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, Listed Companies are required to include, in their Annual Financial Report, a Directors' Statement of Compliance which deals with the extent to which the company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Qawra Palace p.l.c. (the "Company") is committed to observing the principles of transparency and responsible corporate governance. The Board considers compliance with corporate governance principles to constitute an important means of maintaining the confidence of present and future shareholders, bondholders, creditors, employees, business partners and the general public, amongst other stakeholders. Pursuant to the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority, the Company hereby reports on how it has complied with the Code of Principles of Good Corporate Governance (the "Code'') contained in Appendix 5.1 of the Capital Markets Rules for the financial year ended 31 March 2024, which report details the extent to which the Code has been adopted, as well as the effective measures taken by the Company to ensure compliance with said Code.

The Board recognises that, in virtue of Capital Markets Rule 5.101, the Company is exempt from the requirement to disclose the information prescribed by Capital Markets Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.8.

Part I - Compliance with the Code

Principles 1 and 4 - The Board of Directors and its responsibilities

The Board is responsible for overseeing the Company's strategic planning process, as well as reviewing and monitoring management's execution of the corporate and business plans. The Board delegates certain powers, authorities and discretions to the Audit Committee, as duly constituted in terms of the Capital Markets Rules, the role and competence of which committee are regulated in furtherance of Terms of Reference duly implemented for the purpose and as further described hereunder.

The Board of Directors has a composition that ensures that the Company is led by individuals who have the necessary skills and diversity of knowledge relative to the Company's business. It considers strategic issues, key projects and regularly monitors performance against delivery of the key targets of the annual strategic plans and forecasts.

In fulfilling its mandate, the Board assumes responsibility for:

1. reviewing the Company's strategy on an on-going basis, as well as setting the appropriate business objectives;
2. reviewing the effectiveness of the Company's system of internal controls;
3. implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Company's objectives;
4. identifying and ensuring that significant risks are managed satisfactorily; and
5. ensuring that Company policies are being rigorously observed.

Principle 2 - Chairman and Managing Director

The roles of Chairman and Managing Director are occupied by separate individuals, whereby Mr Edward Vella, an executive director and joint founder of the Company, carries out the role of Managing Director, while Mr Robert Ancilleri, an independent, non-executive director, acts as Chairman of the Board.

The Chairman is responsible to lead the Board and set its agenda. The Chairman ensures that the Board is in receipt of precise, timely and objective information, encourages active engagement by all members of the Board for discussion and ensures effective communication with shareholders.

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Principle 3 – Composition of the Board

The Memorandum of Association of the Company provides that the business and affairs of the Company shall be managed and administered by a Board of not less than two (2) and not more than ten (10) Directors. Every member of the Company holding at least ten percent (10%) of the Ordinary shares in the Company shall have the right to appoint a Director to the Board. The remaining members of the Board are appointed by means of an ordinary resolution taken in a general meeting.

As at the date of this statement and during the reporting period under review, the Board of the Company is composed of the six (6) individuals listed below, who are collectively responsible for the overall direction and management of the Company. The Board currently consists of three (3) executive Directors, who are entrusted with the Company's day-to-day management, and three (3) non-executive Directors, all of whom are also independent of the Company, whose main functions are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors.

<u>Executive Directors:</u>

Edward Vella

Esther Vella

Victor Vella

<u>Independent, non-executive Directors:</u>

Robert Ancilleri - Chairman

Stephen Muscat

Paul Muscat

Luca Vella acts as company secretary to the Board of Directors, as well as secretary to the Audit Committee.

In compliance with the Capital Markets Rules, the Board considers that the independent, non-executive Directors are independent of management and free from any significant business, family or other relationship with the Company, its controlling shareholder or its management that could materially interfere with the exercise of their independent judgment. In assessing the independence of the independent, non-executive Directors, due notice has been taken of Capital Markets Rule 5.119. The composition of the Board has a balance of knowledge and experience, as well as a strong non-executive presence, to allow continued scrutiny of performance, strategy and governance.

Principle 5 – Board Meetings

Meetings of the Board are held as frequently as considered necessary, with a minimum of four (4) meetings being held annually – during the reporting period, the Board met four (4) times. All Directors were present in all the meetings. The Board members are notified of forthcoming meetings at least seven (7) days before the said meeting. In addition, the notification includes the issue of an agenda and any supporting documentation as necessary, in order to ensure that all meetings are of a highly effective nature and all participants are well informed and able to effectively contribute to Board decisions. Attendance with regards to Board meetings is recorded in the minutes of the meetings. Minutes of all Board and Audit Committee meetings are circulated to all members and kept on file by the Company Secretary.

Board and Audit Committee meetings are attended by both the Chief Executive Officer, Mr Carmel Pullicino, and the Financial Controller, Mr Jason Azzopardi, of the Company in order for the Board of the Company to have direct access to the operational performance and financial results of the Company. This is also intended to ensure that the policies and strategies adopted by the Board are effectively implemented by the finance team and senior management.

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Principle 5 – Board Meetings - continued

All executive Directors have more than 20 years' work experience at the Company, whereas the independent, non-executive Directors have relevant experience related to the business in which the Company operates. The remuneration of the Directors is reviewed periodically by the shareholders of the Company.

All Directors of the Company, including, therefore, the independent, non-executive Directors, have access to the Company's external legal and financial advisors who keep said Directors adequately informed of all statutory and regulatory requirements connected to the business of the Company on an on-going basis.

Principle 6 – Information and Professional Development

The Company firmly believes in the professional development of all the members in the Company. The Chief Executive Officer is responsible for establishing and implementing incentives which are aimed to maintain and recruit management personnel. Furthermore, regular training exercises are held for the Company's executives to keep abreast of current technological and hospitality standards and other relevant subject matter trends and practices. Senior management are invited to attend Board meetings from time to time when and as appropriate.

Principle 8 – Committees

The Board delegates certain powers, authorities and discretions to the Audit Committee. The Company's Board established an Audit Committee for the purposes of inter alia:

a) monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;

b) monitoring the effectiveness of the Company's internal quality control and risk management system;

c) making recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor, following appointment by the shareholders during the Company's annual general meeting;

d) reviewing and monitoring the external auditor's independence;

e) evaluating the arm's length nature of any proposed transactions to be entered into by the Company and a related party, to ensure that the execution of such transaction is at arm's length, conducted on a sound commercial basis and in the best interests of the Company; and

f) assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Company, to ensure that any potential abuse is managed, controlled and resolved in the best interests of the Company and according to law.

As indicated above, the Company adopts measures in line with the Code with a view to ensuring that the relationship with its shareholders is retained at arm's length, including adherence to rules on related party transactions set out in Chapter 5 of the Capital Markets Rules. Said rules require the vetting and approval of any related party transaction by the Audit Committee, which is constituted in its entirety by independent, non-executive Directors. Robert Ancilleri is the current chairman of the Audit Committee and all members of the Audit Committee are designated as competent in accounting and/or auditing.

The Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Company and Mallard Co Limited (C 4758), the entity entrusted with the management and operation of the Qawra Palace Hotel.

The Board has formally appointed the following three (3) individuals as the members of the Audit Committee:

Robert Ancilleri – Chairperson and independent, non-executive Director

Stephen Muscat – Independent, non-executive Director

Paul Muscat – Independent, non-executive Director

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Principle 8 – Committees - continued

Audit Committee members are appointed for a one (1) year term of office. Such term is automatically renewed for further periods of one (1) year each unless otherwise determined by the Board of Directors of the Company. The Audit Committee meets at least four (4) times a year, with additional meetings to be called at the discretion of the Chairperson of the Audit Committee. During the reporting period, the Audit Committee met four (4) times. All members were present on all these meetings. The Chairperson will also call a meeting of the Audit Committee if required by any Committee member, by senior management or by the external auditors of the Company. In compliance with the Capital Markets Rules, all members of the Audit Committee are considered to be independent members competent in accounting and/or auditing matters. The Company considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof.

Principle 9 - Relations with bondholders and with the Market

The Company is committed to having an open and communicative relationship with its shareholders and bondholders. The market is kept updated with all relevant information concerning the Company via the publication of Company Announcements in terms of the Capital Markets Rules and, furthermore, the Company regularly publishes such information on its website to ensure continuous relations with the market.

Principle 11 - Conflicts of Interest

Directors are expected to always act in the best interests of the Company and its shareholders and investors. Actual or potential conflicts of interest that may arise from time-to-time will need to be managed in accordance with the procedures regulating conflicts of interest situations set out in the Company's Articles of Association. In this regard, Directors are required to inform the Board of any matter that may result or has already resulted in a conflict of interest. A record of such declaration is entered into the Company's minute book and the conflicted Director shall be precluded from voting on any resolution concerning a matter in respect of which he/she has declared an interest. Unless the other non-conflicted Directors of the Company otherwise resolve, the conflicted Director shall: (a) not be counted in the quorum present for the relevant meeting; (b) not participate in the discussion concerning a matter in respect of which he has declared a direct or indirect interest; and (c) withdraw from or, if applicable, not attend the meeting at which such matter is discussed.

Principle 12 - Corporate Social Responsibility

The Board is mindful of and seeks to adhere to sound principles of corporate social responsibility in its management practices. This helps the Company develop strong relationships with its stakeholders and create long-term value for society and its business. The Company is committed to play an effective role in society's sustainable development, whilst tangibly proving itself to be a responsible and caring citizen of the community in which it operates. The Company continues to support a number of different local initiatives aimed at improving the quality of life of the local communities it supports.

The Board acknowledges the Company's obligations to both people and the planet. The Company has kept using its resources to implement various initiatives and projects that aim to benefit its main stakeholders (guests, employees and the community at large).

The Company supports its employees by providing training programs, partnering with educational institutions, and promoting inclusion, diversity and internal career advancement.

The Company supports charities and causes that are important to the management team, with the declared goal of assisting in worthwhile endeavours whenever possible and back local and national charitable organizations.

The Company is constantly making investments and improvements to enhance its product offering for guests. As part of this process, the Company endeavours to recommend alternative solutions that reduce environmental costs of hospitality services. The Company further aims to promote transparent sustainable purchasing, ethically sourced from local suppliers, where possible, that have minimal environmental impact. These include items such as packaging, recyclable products, local sourcing of services and products and energy efficient electrical equipment.

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Remuneration Statement

In terms of the Memorandum and Articles of Association of the Company, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may, from time to time, be determined by the shareholders in general meeting. The remuneration of Directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits. For the financial year ended on 31st March 2024 the Company paid an aggregate of €42,000 to its Directors.

Part II - Non-compliance with the Code

Other than as stated below, the Company has fully implemented the principles set out in the Code.

Principle 7 – Evaluation of the Board's Performance

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of the Board itself (three (3) directors of which are independent, non-executive Directors), the Company's shareholders and all of the rules and regulations to which the Company is subject as a company with its securities listed on a regulated market.

Principle 8 - Nomination Committee and Remuneration Committee

The Board considers that the size and operations of the Company do not warrant the setting up of remuneration and nomination committees. The Company does not believe it is necessary to establish a nomination committee as appointments to the Board are determined by the shareholders of the Company in accordance with nomination and appointment process set out in the Company's Memorandum and Articles of Association. The Company considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

Principle 10 – Institutional Shareholders

The Company is ultimately privately held and has no institutional shareholders, therefore, Principle 10 does not, at present, apply to the Company.

PART III - Internal Control and Risk Management in relation to the Financial Reporting Process

The Board, supported by the Audit Committee is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The Company operates through the Board of Directors and senior management with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. Senior management plans, executes, controls and monitors business operations in order to achieve the set objectives.

The Directors, with the assistance of senior management, are responsible for the identification, evaluation and management of the key risks to which the Company may be exposed. The Company has clear and consistent procedures in place for monitoring the system of internal financial controls. The Directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the Company's set targets.The Audit Committee supported by the internal audit function, reviews and assesses the effectiveness of the internal control systems, including financial reporting, and determines whether significant internal control recommendations made by internal and external auditors have been implemented. The Committee plays an important role in initiating discussions with the Board with respect to risk assessment and risk management and reviews contingent liabilities and risks that may be material to the Company.

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

PART IV - General Meetings

General meetings are called and conducted in accordance with the provisions contained in the Company's Articles of Association and in accordance with any applicable laws or regulations as may be applicable from time to time. As outlined previously, information on General Meetings is found in the Directors' Report.

The report above is a summary of the views of the Board on the Company's compliance with the Code. Generally, the Board is of the opinion that, in the context of the applicability of the various principles of the Code to the Company and in the context of the Company's business operations and save as indicated herein in the section entitled "Non-Compliance" the Company has applied the principles and has complied with the Code throughout the financial year under review. The Board shall keep these principles under review and shall monitor any developments in the Company's business to evaluate the need to introduce new corporate governance structures or mechanisms as and when the need arises.

Signed on behalf of the Board of Directors on 29 July 2024 by Edward Vella (Executive and Managing Director) and Robert Ancilleri (Non-Executive, Independent Chairman).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Notes	2024 €	2023 €
Revenue	4	**2,400,000**	-
Administrative expenses		**(150,366)**	(70,967)
Operating profit/(loss)		**2,249,634**	(70,967)
Change in fair value of investment properties	10	**4,698,620**	21,529,971
Impairment provision on receivable from related party	12	**(195,393)**	(40,707)
Finance income	7	**792,625**	159,093
Finance costs	8	**(1,312,540)**	(249,109)
Profit before tax	5	**6,232,946**	21,328,281
Taxation	9	**(956,741)**	(2,152,997)
Profit for the year		**5,276,205**	19,175,284
Basic earnings per share	19	**5.28**	19.18

The notes on pages 18 to 38 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March

	Notes	2024 €	2023 €
ASSETS			
Non-current assets			
Investment property	10	**70,820,447**	66,121,827
Intangible assets	11	**590**	1,180
Loans receivable	12	**18,579,276**	9,439,318
Total non-current assets		**89,400,313**	75,562,325
Current assets			
Loans receivables	12	**794,939**	813,828
Trade and other receivables	13	**1,210,552**	15,447
Cash held by trustee		**-**	8,618,062
Current tax receivable		**-**	5,136
Cash and cash equivalents	14	**147,035**	58,270
Total current assets		**2,152,526**	9,510,743
TOTAL ASSETS		**91,552,839**	85,073,068
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	**2,329,373**	2,329,373
Retained earnings		**56,611,945**	51,335,740
TOTAL EQUITY		**58,941,318**	53,665,113
LIABILITIES			
Non-current liabilities			
Borrowings	16	**24,450,240**	24,399,659
Deferred tax	17	**7,082,045**	6,612,183
Total non-current liabilities		**31,532,285**	31,011,842
Current liabilities			
Trade and other payables	18	**597,492**	396,113
Current tax payable		**481,744**	-
Total current liabilities		**1,079,236**	396,113
TOTAL LIABILITIES		**32,611,521**	31,407,955
TOTAL EQUITY AND LIABILITIES		**91,552,839**	85,073,068

The notes on pages 18 to 38 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 July 2024. The financial statements were signed on behalf of the Board of Directors by Edward Vella (Executive and Managing Director) and Robert Ancilleri (Non-Executive, Independent Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Retained earnings €	Total equity €
Balance at 1 April 2022	2,329,373	32,160,456	34,489,829
Total comprehensive income for the year:			
Profit for the year	-	19,175,284	19,175,284
Balance at 31 March 2023	**2,329,373**	**51,335,740**	**53,665,113**
Balance at 1 April 2023	2,329,373	51,335,740	53,665,113
Total comprehensive income for the year:			
Profit for the year	-	5,276,205	5,276,205
Balance at 31 March 2024	**2,329,373**	**56,611,945**	**58,941,318**

The notes on pages 18 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March

	Notes	2024 €	2023 €
Cash from operating activities:			
Profit before tax		**6,232,946**	21,328,281
Adjustment for:			
Finance costs	8	**1,312,540**	249,109
Impairment of receivable balance	7	**195,393**	40,707
Finance income		**(792,625)**	(159,093)
Change in fair value of investment property		**(4,698,620)**	(21,529,971)
Amortisation at bond issuance costs		**50,581**	6,798
Amortisation of intangible assets		**590**	590
Cash generated from/(used in) operating activities before working capital changes		**2,300,805**	(63,579)
Increase in other receivables		**(1,195,105)**	(15,447)
Movement in cash held by trustee		**8,618,062**	(8,618,062)
Increase/(decrease) in trade and other payables		**313,734**	(123,140)
Cash generated from/(used in) operating activities		**10,037,496**	(8,820,228)
Interest paid		**(919)**	(18,972)
Income taxes paid		**-**	(97,940)
Net cash flows generated from/(used in) operating activities		**10,036,577**	(8,937,140)
Cash flows from investing activities:			
Payments to acquire intangible assets		**-**	(1,770)
Movement in balances with related company		**(8,523,837)**	(3,790,908)
Net cash flows used in investing activities		**(8,523,837)**	(3,792,678)
Cash flows from financing activities:			
Proceeds from bonds net of bonds issuance cost		**-**	24,392,861
Repayments of bank loans		**-**	(11,604,843)
Payment of bond interest		**(1,423,975)**	-
Net cash flows (used in)/generated from financing activities		**(1,423,975)**	12,788,018
Net cash increase in cash and cash equivalents		**88,765**	58,200
Cash and cash equivalents at beginning of year		**58,270**	70
Cash and cash equivalents at end of year	14	**147,035**	58,270

The notes on pages 18 to 38 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Qawra Palace p.l.c. (“the Company”) is a public limited liability company incorporated in Malta with its registered address at Qawra Palace p.l.c. Qawra Palace Hotel St. Paul's Bay SPB 1902, Malta. The Company's bonds are listed on the main market of the Malta Stock Exchange.

The Company owns the "Qawra Palace Hotel" which is leased to a related party company, which operates the hotel.

The ownership of the Company's share capital and voting rights related to holdings is such that no particular individual or identifiable group of individuals may be deemed to exercise ultimate control over the Company.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are material to the financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the European Union (EU) and the requirements of the Companies Act (Cap. 386) enacted in Malta.

The financial statements have been prepared under the historical cost basis, except for the investment property which is carried at fair value

Presentation and functional currency

The financial statements are presented in Euro (€) which is the Company's functional and presentation currency.

New or amended accounting standards and interpretations adopted

The following amended standards became applicable for the current reporting period.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term ‘significant’ was replaced with ‘material’ in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information the Company considers the size of transactions, other events or conditions and their nature.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. MATERIAL ACCOUNTING POLICY INFORMATION - continued

New or amended accounting standards and interpretations adopted - continued

Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction

Prior to the amendments, there had been some uncertainty about whether the IAS 12 exemption from recognising deferred tax applied to transactions for which companies recognise both an asset and liability, for example leases. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The Company now discloses the deferred tax on lease liabilities and right-of-use assets separately arising from the application of IFRS 16.

The Company adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee and endorsed by the EU that are mandatory for the current reporting period. The adoption of these amendments to the requirements of IFRS Accounting Standards 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.

New or amended accounting standards and interpretations issued but not yet effective

Any new or amended Accounting Standards or Interpretations that were in issue and endorsed by the EU but not yet effective for the current financial year, have not been early adopted. The directors are of the opinion that the adoption of the new, amended accounting standards or interpretations will not have a significant impact on the Company's current or future reporting periods and on foreseeable future transactions.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment property

Investment property, principally comprise of freehold land and buildings held for long-term rentals and/or for capital appreciation that are not occupied by the Company. Investment property, including property under construction for such purposes, is initially recognized at historical cost, including transaction and borrowing costs. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Investment property - continued

After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Movements in fair value are recognised directly to profit or loss in the period in which they arise.

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment is used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expired.

Financial assets

Financial assets are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets at amortised cost

Financial assets at amortised cost are financial assets that are held within the business model whose objective is to collect contractual cash flows ("hold to collect") and the contractual terms give rise to cash flows that are solely payments of principal and interest.

On initial recognition, financial assets at amortised cost are recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Discounting is omitted where the effect of discounting is immaterial. Trade receivables without a significant financing component are measured at the transaction price as a practical expedient.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gain or losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The Company's financial assets under this classification include loans receivable, trade and other receivables and cash and cash equivalents.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The resulting impairment allowance is insignificant to the company's financial position and results.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

For trade receivables, the Company apply the simplifies approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 21 for further details.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Impairment of financial assets - continued

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment losses are insignificant.

For related parties, the Company applies the general approach if the financial asset is determined to have low credit risk at the reporting date where the credit risk has not increased significantly since initial recognition. The financial asset is deemed to have low credit risk if there is low risk of default and the debtor has a strong capacity to meet its contractual obligations in the near term.The Company's financial assets are mainly financial assets at amortised cost.

Financial liabilities are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The Company's financial liabilities are mainly financial liabilities at amortised cost..

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of transaction cost and are subsequently measured at amortised cost using the effective interest method. All interest-related charges under the interest amortisation process are recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Financial liabilities under this classification include borrowings and trade and other payables.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Board of Directors considers the Company to be made up of one segment, that is to lease the investment property.

Tax

The tax charge/credit in the profit or loss for the year normally 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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect to previous years.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Tax - continued

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at 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.

Under this method, the Company is required to make provision for deferred income taxes on the revaluation of certain property assets and provisions on the difference between the carrying value for financial reporting purposes and their tax base.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company's directors, except for the matters disclosed below, the accounting estimates and judgements made in the course of preparing these financial statements, are not difficult, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1 Presentation of Financial Statements.

Fair value of investment property

Investment properties are revalued to fair value by using either internal valuations or valuations prepared by external independent valuers. These valuations are based upon assumptions including average rate per room and other income, anticipated operating costs, occupancy rate and the appropriate earnings multiplier. These estimates are subjective in nature and involve uncertainties, such as the issue of the required permits and matters of significant judgements and therefore, cannot be determined with precision.

4. REVENUE

	2024	2023
	€	€
Rental income	**2,400,000**	-

Revenue represents lease income from a related company from the lease of the investment property.

There was no rental income for the year ended 31 March 2023 as the Company and the lessee had agreed that the Company shall not charge rental fees for the preceding three years until 31 March 2023 in view of the effects of COVID-19 on the operations and results of the lessee.

5. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	2024	2023
	€	€
Amortisation of bond issuance costs	**50,581**	6,798
Amortisation of intangible assets (Note 11)	**590**	590
Statutory audit	**9,000**	9,000
Employee benefit expense (Note 6)	**42,000**	15,750

NOTES TO THE FINANCIAL STATEMENTS - continued

5. PROFIT BEFORE TAX - continued

Fees charged by the auditor for services rendered during the financial year are as follows:

	2024	2023
	€	€
Auditor's remuneration		
Statutory audit	**9,000**	9,000
Other assurance services	**4,500**	1,500

6. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses incurred during the year were as follows:

	2024	2023
	€	€
Directors' remuneration	**42,000**	15,750

The average number of persons employed by the company during the year was 3 (2023: 1).

7. FINANCE INCOME

	2024	2023
	€	€
Interest from loan receivable	**792,625**	159,093

8. FINANCE COSTS

	2024	2023
	€	€
Bank charges and interest	**919**	18,972
Interest expense on bonds payable (Note 16)	**1,311,621**	230,137
	1,312,540	249,109

NOTES TO THE FINANCIAL STATEMENTS - continued

9. TAXATION

The tax charged to profit or loss comprised of the following:

	2024	2023
	€	€
Current tax charge	**486,880**	-
Deferred tax charge	**469,861**	2,152,997
	956,741	2,152,997

The tax on the Company's profit before tax differs from the theoretical tax expense that would arise using the applicable tax rate in Malta of 35% as follows:

	2024	2023
	€	€
Profit before tax	**6,232,946**	21,328,281
Theoretical tax expense at 35%	**2,181,531**	7,464,898
Tax effect of:		
ECL disallowed for tax purposes	**68,386**	14,247
Difference between 10% deferred tax on investment property and 35% on gain in fair value	**(1,174,655)**	(5,382,493)
Disallowed expenses	**49,479**	56,345
Maintenance allowance	**(168,000)**	-
Tax charge	**956,741**	2,152,997

10. INVESTMENT PROPERTY

	2024	2023
	€	€
Opening balance	**66,121,827**	44,591,856
Change in fair value	**4,698,620**	21,529,971
Carrying amount	**70,820,447**	66,121,827

The investment property is a hotel which is situated at, Qawra Palace Hotel, St. Paul's Bay SPB 1902, Malta, and is being leased out to a related company and is carried at fair value. Rental income from investment property for the year ended 31 March 2024 amounted to €2,400,000 (2023: €NIL). The Company has not incurred direct operating expenses arising from its investment property.

NOTES TO THE FINANCIAL STATEMENTS - continued

10. INVESTMENT PROPERTY - continued

	2024	2023
	€	€
Cost	**14,043,100**	14,043,100
Fair value gains	**56,777,347**	52,078,727
Carrying amount	**70,820,447**	66,121,827

The fair value of the investment property as at 31 March 2024 and 31 March 2023 is based on valuations by an independent architect who has experience in the location and category of the investment property being valued, as adjusted for the purposes of these financial statements as disclosed below:

	2024	2023
	€	€
Fair value as per architect's valuation as at end of year	**105,532,937**	84,469,528
Carrying amount of PPE as at end of year (i)	**(34,712,490)**	(18,347,701)
	70,820,447	66,121,827

i. The carrying amount of property, plant and equipment relates to the cost (less accumulated depreciation) of hotel assets incurred by the lessee (a related company) and recognised in its accounts. Since this factor is being taken into consideration in determining the future rental charges to the lessee and since the architect's valuation considered the state of the hotel including all property, plant and equipment held as at 31 March 2024 and 31 March 2023, respectively, the fair value of the investment property has been adjusted as explained above.

The carrying amounts that would have been recognised had the land and buildings have been carried under the cost model were as follows:

	2024	2023
	€	€
Cost	**14,043,100**	14,043,100
Accumulated depreciation	**(2,177,090)**	(2,078,788)
	11,866,010	11,964,312

The Company's investment property is used as a guarantee for a first ranking special hypothec in favour of the bank and a second ranking special hypothec in favour of the Security Trustee (for the benefit of Bondholders).

NOTES TO THE FINANCIAL STATEMENTS - continued

10. INVESTMENT PROPERTY - continued

Minimum lease commitments receivable but not recognised in the financial statements are as follows:

	2024	2023
	€	€
Within 12 months	**2,448,000**	2,400,000
After one year but within five years	**10,291,490**	10,089,696
After five years	**29,594,794**	32,244,588
	42,334,284	44,734,284

The fair value measurement relating to investment property is disclosed in Note 23.

11. INTANGIBLE ASSETS

	Computer software
	€
Cost	
As at 31 March 2023 & 31 March 2024	**1,770**
Accumulated amortisation	
Opening balance	(590)
Amortisation for the year	**(590)**
As at 31 March 2024	**(1,180)**
Net book value	
At 31 March 2024	**590**
At 31 March 2023	1,180

NOTES TO THE FINANCIAL STATEMENTS - continued

12. LOANS RECEIVABLE

	2024	2023
	€	€
Non-current		
Loans receivable (i)	**18,579,276**	9,439,318
Current		
Loans receivable (i)	**1,371,041**	1,230,000
Impairment of loans to related company (ii)	**(576,102)**	(416,172)
	794,939	813,828

i. On 15 December 2022, the Company entered into a loan facility agreement with a related company, making the loans receivable interest bearing, with final maturity date of 26 January 2037. Interest of 5.25% per annum is to be paid on 27 January of every year during the term of the agreement.

ii. The Company recognised an impairment provision on the loan receivable from a related company amounting to €159,929 during the year ended 31 March 2024 (2023: €40,707).

The Company's exposure to credit risk related to loans receivable is disclosed in Note 21.

13. TRADE AND OTHER RECEIVABLES

	2024	2023
	€	€
Trade receivables - related parties	**1,146,656**	-
Prepayments	**63,896**	15,447
	1,210,552	15,447

Trade receivables are stated net of allowance for impairment losses amounting to €35,464 (2023: €NIL).

The Company’s exposure to credit and currency risk and impairment losses relating to trade and other receivables is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS - continued

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

	2024	2023
	€	€
Bank balances	**147,035**	58,270

15. SHARE CAPITAL

	2024	2023
	€	€
Authorised, issued and fully paid up		
1,000,000 ordinary shares at €2.329373 each	**2,329,373**	24,399,659

All ordinary shares carry identical voting rights at general meeting of the Company, are equally entitled to any distribution of dividends, and all classes of shares rank equally for any residual assets of the Company after the settlement of all liabilities in the event of the Company's winding up.

16. BORROWINGS

	2024	2023
	€	€
Non-current		
€25,000,000 bonds, 5.25%, 2023-2033 (i)	**24,450,240**	24,399,659

(i) In 2023, the Company issued an aggregate principal amount of €25,000,000 secured bonds with a nominal amount value of €100 per bond issued at par and with a maturity date of 27 February 2033. The bonds are secured by a second ranking special hypothec granting the security trustee a right of preference and priority for repayment over the hypothecated property. The amount is net of bond issuance cost amounting to €607,139 with amortisation during the year ended 31 March 2024 amounting to €50,581 (2023: €6,798).

NOTES TO THE FINANCIAL STATEMENTS - continued

17. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2023: 35%), with the exception of deferred taxation on fair value gains attributable to investment property which is computed utilising a tax rate of 10% (2023: 10%) on the basis applicable to property disposals.

The balance represents temporary differences attributable to:

	2024	2023
Fair value of investment property	**€**	€
Opening deferred tax	**6,612,183**	4,459,186
Charged to profit or loss	**469,862**	2,152,997
Closing deferred tax	**7,082,045**	6,612,183

The balances at 31 March arose from fair value changes arising on investment property.

Movements in deferred tax attributable to temporary differences arising on changes in fair value of investment property are recognised in profit or loss.

The recognised deferred tax liabilities are expected to be settled principally after more than twelve months from the end of the reporting period.

18. TRADE AND OTHER PAYABLES

	2024	2023
	€	€
Trade payables	**1,770**	-
FSS payable	**-**	3,462
Accruals	**139,239**	256,144
VAT payable	**456,483**	136,507
	597,492	396,113

The Company's exposure to liquidity risk related to trade and other payables as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. EARNINGS PER SHARE

The basic earnings per share at 31 March is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, as follows:

		2024		2023
Profit attributable to the owners	**€**	**5,276,205**	€	19,175,284
Weighted average number of ordinary shares		**1,000,000**		1,000,000
Basic earnings per share	**€**	**5.28**	€	19.18

20. RELATED PARTY TRANSACTIONS

The Company has related party relationships with companies under common control and over which the directors exercise significant influence. Transactions are carried out with related parties on a regular basis and in the ordinary course of the business. The following are the transactions with related parties during the year:

	2024	2023
	€	€
Revenue		
Company under common control	**2,400,000**	-
Interest income		
Company under common control	**792,625**	159,093
Loans		
Company under common control	**8,523,837**	5,793,084
Remuneration		
Directors	**42,000**	15,750

The outstanding balances arising from the above transactions are disclosed in Notes 12 and 13 to these financial statements.

21. FINANCIAL RISK MANAGEMENT

The Company's activities exposed it to a variety of financial risks, including market risk (cash flow and fair value interest rate risk), credit risk and liquidity risks.

The Company's directors are responsible for managing the risks faced by the Company. This responsibility includes identifying, analysing, setting the appropriate risk limits and controls, and monitoring adherence to such limits and controls. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial periods.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. FINANCIAL RISK MANAGEMENT - continued

At year-end, the Company's financial assets are comprised of financial assets at amortised cost namely loans receivable, trade and other receivables and cash and cash equivalents.

At year-end, the Company's financial liabilities comprised of financial liabilities at amortised cost namely bonds payable and trade and other payables.

Market risk

Market risk is the risk that changes in market prices (e.g. foreign exchange rates, interest rates and equity prices) will affect the Company and the Company's income or the value of its holdings of financial instruments. The Company is exposed mainly to changes in interest rates.

Cash flow and fair value interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The directors manage interest rate risk by minimising variable-rate long-term borrowings.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's bonds payable are at fixed interest rates and therefore do not expose the Company to cash flow and fair value interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk principally arises from cash and cash equivalents comprising deposits with banks and loans and receivables from a related company. The Company's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	2024	2023
	€	€
Cash at bank	**147,035**	58,270
Trade receivables - related parties	**1,146,656**	-
Loans receivable - related party	**19,950,317**	10,669,318
Cash held by trustee	**-**	8,618,062
	22,038,947	19,345,650

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Cash at Bank

The Company's cash is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Company. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Trade and Loans receivable

The Company's trade receivable balances and loans receivable balances are with a related company. The Company's risk is managed through assessing the credit quality of its related company by taking into account the financial position, past experience and other factors and incorporating forward looking information such as economic conditions where the related party operates and other macroeconomic factors affecting the ability of the related company subsidiary to settle the loans receivables.

Impairment of receivables

An impairment analysis is performed at each reporting date for these assets using the simplified approach to measure the allowance ECL on trade and loans receivable. The trade and loan receivables are with the same related company. The Company has adopted a 12-month ECL method to its balances with the related company. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. A loss allowance of €35,464 (2023: Nil) was provided as at the end of the year for the trade receivable balance and a loss allowance of €576,102 (2023: €416,172) was provided for the loans receivable.

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of other payables and borrowings (Note 16 and 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The directors manage liquidity risk by maintaining adequate cash reserves and/or available borrowing facilities by continuously monitoring actual and forecast cash flows as well as the maturity profiles of financial liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

21. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€	€	€	€	€
31 March 2024					
Trade payables	1,770	1,770	1,770	-	-
Bond payable	24,450,240	36,823,288	1,316,096	5,253,596	30,253,596
	24,452,010	**36,825,058**	**1,317,866**	**5,253,596**	**30,253,596**

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€	€	€	€	€
31 March 2023					
Bond payable	24,399,659	38,247,261	1,423,973	5,253,596	31,569,692
	24,399,659	**38,247,261**	**1,423,973**	**5,253,596**	**31,569,692**

Fair value of financial instruments

As at year-end, the carrying amounts of the cash and cash equivalents, trade and other receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount. The fair value of the Company’s non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts..

Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Capital risk management

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 16, and equity attributable to equity holders, comprising issued share capital and retained earnings as disclosed in Note 15 to these financial statements and in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. FINANCIAL RISK MANAGEMENT - continued

Capital risk management - continued

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's strategy remains unchanged from 2023.

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Company's statement of cash flow as cash flow from financing activities.

	Balance at 01 April 2023	Net cash proceeds/ (repayments)	Non-cash changes Effective interest	Balance at 31 March 2024
	€	€	€	€
€25,000,000 bonds, 5.25%, 2023-2033	24,399,659	(1,423,975)	1,474,554	24,450,240

	Balance at 01 April 2022	Net cash proceeds/ (repayments)	Non-cash changes Effective interest	Balance at 31 March 2023
	€	€	€	€
€25,000,000 bonds, 5.25%, 2023-2033	-	24,392,861	6,798	24,399,659
Bank loans	10,173,359	(11,604,843)	1,431,484	-

23. FAIR VALUE MEASUREMENT

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy.

The following table details the Company's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

NOTES TO THE FINANCIAL STATEMENTS - continued

23. FAIR VALUE MEASUREMENT - continued

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3
31 March 2024			
Assets			
Investment property	**-**	-	**70,820,447**

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between levels during the financial year. A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in Note 10.

Valuation processes

The Company's property is valued by the directors, generally taking cognisance of professional advice from independent professionally qualified valuers who hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued.

When external valuations are carried out in accordance with this process, the valuer reports directly to the Board of Directors and discussions on the valuation technique, the model utilised and its results, including an evaluation of the inputs to the valuation model, are held at Board level. A new valuation is typically commissioned to an external valuer, whenever, in the opinion of the Board of Directors, new circumstances arise which may suggest that a material change in value in the underlying property has occurred.

Valuation techniques

The valuation of the investment property is determined on the wealth-generating capacity of the investment property, taking into consideration assumptions including average rate per room and other income, anticipated operating costs, occupancy rate and the appropriate earnings multiplier.

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

The level 3 assets unobservable inputs and sensitivity are as follows:

	EBITDA 2025 - 2034	WACC	Growth rate
Qawra Palace Hotel	€6.6m - €7.4m	9.7%	2%

NOTES TO THE FINANCIAL STATEMENTS - continued

24. CONTINGENT LIABILITY

The obligations of the Company to the bondholders under the bonds are secured by means of a special hypothec. Specifically, the Company shall, pursuant to the Deed of Hypothec, constitute in favour of the Security Trustee (for the benefit of bondholders) the Special Hypothec over the hypothecated property for the full amount of principal and interest due by the Company to the bondholders in respect of the bonds. The Special Hypothec may be enforced by the security trustee upon the bonds becoming immediately due and payable upon an event of default, following which bondholders shall be paid out of the Hypothecated Property in priority to other creditors, save for any prior ranking security or privilege that may arise by operation of law.

25. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Qawra Palace p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Qawra Palace p.l.c. ("the Company"), set out on pages 14 to 38, which comprise the statement of financial position as at 31 March 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with the additional report to the Audit Committee in accordance with the provision of Article 11 of the EU Regulation No. 537/2014 on specific requirements regarding statutory audits of public-interest entities.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Report on the Audit of the Financial Statements - continued

Basis for Opinion - continued

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 laws and regulations in Malta and that we have not provided any 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 during the year ended 31 March 2024 are disclosed in Note 5 to the financial statements.

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 year. 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.

Valuation of Investment Property

The Company's investment property pertaining to the Qawra Palace Hotel located at Coast Road, St. Paul's Bay SPB 1902, Malta is carried at its fair value of €70,820,447. Valuation of this property is inherently subjected to, among other factors, the individual nature of the property, its location, and the expected future revenues to be derived from the property.

The existence of significant estimates used to arrive at the fair value of the property, could result in a potential material misstatement by virtue of the inherent uncertainties underlying the estimations. Consequently, specific audit focus and attention was given to this area.

The fair value of the investment property as at 31 March 2024 and 31 March 2023 is based on valuations by an independent architect who has experience in the location and category of the investment property being valued, as adjusted for the purposes of these financial statements as discussed in Note 11.

Our audit procedures in relation to the valuation of the investment property included, amongst others:

- Considering the objectivity, independence, competence and capabilities of the external valuer;
- Reviewing the methodology used by the external valuer and by management to estimate the fair value of the investment property;
- Testing the mathematical accuracy of the calculations derived from the forecast model; and
- Assessing the key valuation inputs and assumptions used on which the forecasts were made.

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INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Report on the Audit of the Financial Statements - continued

Other Information

The directors are responsible for the other information. The other information comprises the general information, the directors' report, and the statement of compliance with the code of principles of good corporate governance, 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 under the Report on other Legal and Regulatory Requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Maltese Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

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

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386);
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 IFRS Accounting Standards 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 to the Audit Committee.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Report on the Audit of the Financial Statements - continued

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

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, related safeguards.

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 year and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Code of Principles of Good Corporate Governance

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in their Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets 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. The Capital Markets Rules also require the auditor to report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report with respect to the information referred to in the Capital Market Rules 5.97.4 and 5.97.5. We also assessed whether the Statement of Compliance includes all the other information required to be presented as per Capital Market Rules 5.97. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

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.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Report on Other Legal and Regulatory Requirements - continued

Report on the Statement of Compliance with the Code of Principles of Good Corporate Governance - continued

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 8 to 12 has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the annual financial report of Qawra Palace plc for the year ended 31 March 2024, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the annual financial report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Auditors' responsibilities

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report, in XHTML format.
- Examining whether the annual financial report has been prepared in XHTML format.
- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the annual financial report for the year ended 31 March 2024 has been prepared in XHTML format, in all material aspects, in accordance with the requirements of its ESEF RTS.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of Qawra Palace p.l.c.

Other matters on which we are required to report by exception

Under the Maltese Companies Act (Cap. 386), we are required to report to you if, in our opinion:
- Proper accounting records have not been kept, or
- Proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- We were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary. We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed to act as statutory auditors of the Company by the shareholders of the Company on 6 April 2023 for the year ended 31 March 2023, and we were subsequently reappointed by the shareholders at the Company's general meeting for the financial year thereafter. The period of uninterrupted engagement as statutory auditor of the Company is two financial years.

This copy of the audit report has been signed by
Conrad Borg *(Principal)*
for and on behalf of

RSM Malta
Registered Auditors

29 July 2024