Company Registration No.: C 27835

QAWRA PALACE P.L.C.
(FORMERLY KNOWN AS MALLARD PROPERTIES LIMITED)

Annual Report
and
Financial Statements

31 March 2023

CONTENTS

GENERAL INFORMATION

Registration

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

Directors

Edward Vella	
Esther Vella	
Victor Vella	
Robert Ancilleri	(appointed on 14 November 2022)
Stephen Muscat	(appointed on 14 November 2022)
Paul Muscat	(appointed on 14 November 2022)

Company secretary

Jason Azzopardi	(resigned on 24 October 2022)
Luca Vella	(appointed on 24 October 2022)

Registered office

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 report and the audited financial statements of Qawra Palace p.l.c. (formerly known as Mallard Properties Limited) ("the Company") for the year ended 31 March 2023.

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.

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).

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 are being utilised in line with the Prospectus dated 20 December 2022, with €16.4 million repaying existing bank loans, €6.7 million to be 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 to be allocated for general corporate funding purposes.

Review of the business

The Company’s total assets as at 31 March 2023 stood at €85,073,068 (2022: €50,935,777). The Company reported a profit before tax of €21,328,281 for the year ended 31 March 2023 (2022: profit before tax €2,155,751). This was 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 €21,529,971 (2022: €2,496,939).

Results and dividends

The statement of comprehensive income is set out on page 14 below. The directors do not recommend the payment of a final dividend and propose that the balance of retained earnings of the Company amounting to €51,335,740 (2022: €32,160,456) 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 protect the surrounding communities and environment. The Board exercises the necessary oversights to ensure that Mallard adopts strategies to operate in a responsible manner. The board is committed to help the environment by reducing emission of gases, scaling up investment in low-carbon solutions and taking different initiatives to save energy.

DIRECTORS' REPORT - continued

Corporate social responsibility - continued

The Board makes sure that the related company which operates the Hotel and from which income is derived adopts rigorous policies and procedures that ensure adherence to the various rules and regulations. It complements this with different training schemes to the staff. The Company is constatntly assured that all members of staff of Mallard are up to date with latest developments and constantly prepare for regular visits and audits that are carried out periodically to verify that the Hotel remains eco-compliant.

The Company is focused and committed to invest in activities that preserve, protect and enhance nature over the long-term. The Board continuously encourages all members forming part of Mallard to embrace this way of life. 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 mainly dependent on the operations of its related company, Mallard Co. Ltd, to whom the Company leases the hotel. The Qawra Palace Hotel is undergoing a major refurbishment and extension project which is being carried out by the related company. The timely completion of this project is dependent on various external factors and third-party contractors. Such a project is subject to a number of specific risks including delays, cost overruns and the inability to source adequate resources to complete the project. The full list of key risks listed in the prospectus are still applicable.

Apart from the above, the Company is subject to various other risks such as market, economic, credit and liquidity risks. The directors are confident that the Company has the right framework and the appropriate policies and procedures in place to mitigate the effects that the aforementioned risks might have on the business. Further information on financial risks is disclosed in Note 22 to the financial statements.

Events after the end of reporting period

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

Future developments

The Company is expected to earn rental income from its related company starting April 2023.

Outlook for 2024

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 when due.

The hotel opened its doors for business on 1 June 2023 selling slightly above 50% of the rooms available in its first two weeks of operation and 400 rooms up till the end of June. Mallard is in an advanced phase of opening another 100 rooms out of the remaining 171 rooms. These rooms should open for business and receive guests on 1 August 2023. Season up to now appears buoyant with brisk demand and room rates obtained are marginally higher than originally projected. Against this positive backdrop, the Company is ensured that Mallard is doing its utmost to control costs particularly where salaries and food cost are concerned. Mallard has taken various initiatives in the energy sector including the installation of a second RO plant, state of the art air-conditions and air handling units and kitchen equipment with newer energy saving models.

DIRECTORS' REPORT - continued

Outlook for 2024 - continued

In order to control energy usage/wasted all of this equipment is controlled via BMS and RMS systems.

The Board is very optimistic that in spite of not meeting the target opening date of mid-April. Mallard shall still manage to reach the financial targets set for the year ending 31 March 2024.

Disclosure of material contracts

The following contracts of a material nature have been entered into by the Company:

- Lease agreement with Mallard which will continue generating income as from 1 April 2023;
- BOV loans which were fully paid as of 31 March 2023; and
- Loan facility agreement with Mallard.

Company secretary and registered office

During the year ended 31 March 2023, Mr Jason Azzopardi served as company secretary and resigned from this post on 24 October 2022. On the same date, Mr Luca Vella was appointed as company secretary. 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

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.

Statement of directors' responsibilities

The Directors are required by the Companies Act (Chapter 386 of the laws of Malta) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates and judgements that are reasonable in the circumstances;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceeding accounting period; and

DIRECTORS' REPORT - continued

Statement of directors' responsibilities - continued

In preparing the financial statements, the Directors are responsible for - continued

- 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 the Directors to ensure that the financial statements comply with the 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, and that comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Qawra Palace p.l.c. (formerly known as Mallard Properties Limited) for the financial year ended 31 March 2023 are included in the Annual Financial Report 2023, which will be made available 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.

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

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

- the financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the Companies Act (Cap. 386); and
- the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Going concern statement pursuant to Capital Markets Rule 5.62

The Company has not generated revenue from rent during the financial year under review as the Company and the related company agreed that no rent shall be charged for a period of three years ending 31 March 2023 in view of the effects of the Covid-19. As a result, the Company registered an operating loss of €70,967 (2022: €6,870). Mallard started paying interest on the loans advanced to it by the Company as from December 2022.

The losses incurred by the Company and the short-term cash flow requirements have been financed initially by bank borrowings and later, by the funds raised through the Bond issue. As explained in the 'Outlook for 2024' section of this report, the Company's results for the year ending 31 March 2024 are expected to be positive, in view that the Company will start earning rental income given that the hotel operations have resumed, and the indications of its performance are good.

After making enquires and having taken into consideration the future plans of the 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.

DIRECTORS' REPORT - continued

Structure of capital

The Company has an authorised and issued share capital of 1,000,000 ordinary shares of €2.329373 each which are fully paid up with a nominal value of €2.329373 each. The Company has three shareholders with shares held as summarised below:

Angelo Holdings Ltd - 45%

Charella Company Limited - 43%

Edoardo Company Limited - 12%

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. There are no restrictions in the transfer of shares.

Subject to the Maltese Companies Act (Cap. 386), the Company may purchase its own equity securities.

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.

Signed on behalf of the Board of Directors on 28 July 2023 by Edward Vella (Director) and Robert Ancilleri (Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

Qawra Palace p.l.c. (formerly known as Mallard Properties Limited) (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 period ended 31 March 2023, 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 these Principles.

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.

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 such 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:

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

Principle 2 - Chairman and Managing Director

The roles of the 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

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Compliance with the Code - continued

Principle 2 - Chairman and Managing Director - continued

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.

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 shall be 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.

Executive Directors:
Edward Vella
Esther Vella
Victor Vella

Independent, non-executive Directors:
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 shareholders 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.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Compliance with the Code - continued

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 – since the listing of the €25 million worth of 5.25% secured bonds 2033 issued by the Company, effective on 8 February 2023, up to the end of the reporting period, the Board met two (2) times, with a 100% attendance of the directors at all of these 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, in order for the Board of the Company to have direct access to the financial operation and 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.

The Board is headed by the Chairman, Mr Robert Ancilleri.

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 Managing Director 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. Directors are encouraged to talk directly to any member of management regarding any questions or concerns the Directors may have. Senior management are invited to attend Board meetings from time to time when and as appropriate.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Compliance with the Code - continued

Principle 8 – Committees

The Board delegates certain powers, authorities and discretions to the Audit Committee. The Company's Board has established an Audit Committee on the 9 February 2023 for the purposes of *inter alia*:

1. monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
2. monitoring of the effectiveness of the Company's internal quality control and risk management system;
3. 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;
4. reviewing and monitoring the external auditor's independence;
5. 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
6. 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

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. Since the listing of the €25 million 5.25% secured bonds 2033 issued by the Company, effective on 8 February 2023, up

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Compliance with the Code - continued

Principle 8 – Committees - continued

to the end of the reporting period, the Audit Committee met once (1), with 100% attendance of the Audit Committee members at this meeting. 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 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.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

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 31 March 2023 the Company paid an aggregate of €15,750 to its Directors.

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, the market 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. Given that the Company does not have any employees or officers other than the Directors and the company secretary, it is not considered necessary for the Company to maintain a remuneration committee. 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.

Signed on behalf of the Board of Directors on 28 July 2023 by Edward Vella (Director) and Robert Ancilleri (Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF COMPREHENSIVE INCOME

	Note	2023 €	2022 €
Rental income	4	**-**	-
Administrative expenses		**(70,967)**	(6,870)
Operating loss		**(70,967)**	(6,870)
Change in fair value of investment properties	11	**21,529,971**	2,496,939
Impairment provision on receivable from related party	12	**(40,707)**	(326,103)
Interest income	7	**159,093**	-
Interest expense	8	**(249,109)**	(8,215)
Profit before tax	5	**21,328,281**	2,155,751
Taxation	9	**(2,152,997)**	(249,694)
Profit for the financial year		**19,175,284**	1,906,057
Total comprehensive income for the year		**19,175,284**	1,906,057
Earnings per share			
Basic	18	**19.18**	1.91

The notes on pages 18 - 36 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March

	Note	2023 €	2022 €
ASSETS			
Non-current assets			
Investment property	11	**66,121,827**	44,591,855
Intangible assets	10	**1,180**	-
Loans receivable	12	**9,439,318**	-
Total non-current assets		**75,562,325**	44,591,855
Current assets			
Loans and other receivables	13	**813,828**	6,343,852
Cash held by trustee		**8,618,062**	-
Current tax receivable		**5,136**	-
Prepayments		**15,447**	-
Cash and cash equivalents	19	**58,270**	70
Total current assets		**9,510,743**	6,343,922
TOTAL ASSETS		**85,073,068**	50,935,777
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**2,329,373**	2,329,373
Retained earnings		**51,335,740**	32,160,456
TOTAL EQUITY		**53,665,113**	34,489,829
Non-current liabilities			
Borrowings	15	**24,399,659**	10,173,359
Deferred tax	16	**6,612,183**	4,459,186
Total non-current liabilities		**31,011,842**	14,632,545
Current liabilities			
Current tax payable		**-**	92,804
Trade and other payables	17	**396,113**	289,115
Borrowings - Current portion	15	**-**	1,431,484
Total current liabilities		**396,113**	1,813,403
TOTAL LIABILITIES		**31,407,955**	16,445,948
TOTAL EQUITY AND LIABILITIES		**85,073,068**	50,935,777

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2023. The financial statements were signed on behalf of the Board of Directors by Edward Vella (Director) and Robert Ancilleri (Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

The notes on pages 18 - 36 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Retained earnings €	Total equity €
Financial year ended 31 March 2022			
Balance at 1 April 2021	2,329,373	30,254,399	32,583,772
Total comprehensive income for the year:			
Profit for the financial year	-	1,906,057	1,906,057
Balance as at 31 March 2022	**2,329,373**	**32,160,456**	**34,489,829**

	Share capital €	Retained earnings €	Total equity €
Financial year ended 31 March 2023			
Balance at 1 April 2022	2,329,373	32,160,456	34,489,829
Total comprehensive income for the year:			
Profit for the financial year	-	19,175,284	19,175,284
Balance as at 31 March 2023	**2,329,373**	**51,335,740**	**53,665,113**

The notes on pages 18 - 36 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	2023 €	2022 €
Cash from operating activities:			
Profit before tax		**21,328,281**	2,155,751
Adjustment for:			
Interest expense		**249,109**	8,215
Impairment loss		**40,707**	326,103
Interest income		**(159,093)**	-
Change in fair value of investment property		**(21,529,971)**	(2,496,939)
Amortisation of bond issuance costs		**6,798**	-
Amortisation of intangible assets		**590**	-
Loss from operations		**(63,579)**	(6,870)
Movement in prepayments		**(15,447)**	-
Movement in cash held by trustee		**(8,618,062)**	-
Increase in trade and other payables		**106,997**	12,229
Cash (used in)/from operating activities		**(8,590,091)**	5,359
Interest paid		**(18,972)**	(8,215)
Payments of income taxes		**(97,940)**	(28,370)
Net cash flows used in operating activities		**(8,707,003)**	(31,226)
Cash flows from investing activities:			
Payments to acquire intangible assets		**(1,770)**	-
Movement in balances with related company		**(3,790,908)**	(3,947,989)
Net cash flows used in investing activities		**(3,792,678)**	(3,947,989)
Cash flows from financing activities:			
Proceeds from bonds net of bonds issuance cost		**24,392,861**	-
(Repayments)/ proceeds of bank loans		**(11,604,843)**	3,978,739
Payments of interest classified as financing		**(230,137)**	-
Net cash flows generated from financing activities		**12,557,881**	3,978,739
Net cash increase/(decrease) in cash and cash equivalents		**58,200**	(476)
Cash and cash equivalents at beginning of year		**70**	546
Cash and cash equivalents at end of year	19	**58,270**	70

The notes on pages 18 - 36 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Qawra Palace p.l.c. (formerly known as Mallard Properties Limited) ("the Company") is a public limited liability company and is incorporated in Malta with its registered address at Qawra Palace p.l.c., Qawra Palace Hotel, Coast Road, 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, who operates the hotel.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement and statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

Going concern

As at 31 March 2023, the Company's current assets exceeded its current liabilities by €9,114,630 (2022: €4,530,519). This reflects the active efforts undertaken by the directors to improve the liquidity of the Company. In assessing the going concern assumption, the directors of the Company have referred to the cash flow forecast of the Company for 2024. The cash flow forecast assumes that the Company will generate the required cash flows from the renting of the hotel to its related company. Based on the foregoing, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Functional and presentation currency

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

New or revised standards, interpretations and amendments adopted

During the current year, the Company has adapted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union, that are mandatorily effective for accounting periods beginning on or after 1 April 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

New or revised standards, interpretations and amendments adopted - continued

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments - The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendment is applied prospectively.

New or revised standards, interpretations and amendments issued but not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The directors anticipate that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application, other than in the cases indicated below. The most relevant changes are the below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

New or revised standards, interpretations and amendments issued but not yet effective - continued

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates - continued

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

New or revised standards, interpretations and amendments issued but not yet effective - continued

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

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.

Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis.

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost.

Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised over 3 years. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment property

Investment properties are freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly in profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected. 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 are 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.

Transfers to and from investment properties from and 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 are 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 expire.

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.

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

Financial assets at amortised cost

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets at amortised cost - continued

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

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on debt instruments that are classified as financial assets 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.

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).

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.

Offsetting financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

Tax

The tax charge/(credit) in the profit or loss for the year normally comprises current and deferred tax.

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.

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.

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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

Foreign currencies

Transactions underlying items in these financial statements are measured in the Company’s functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the end of reporting period. All resulting differences are taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Earnings per share

Earnings per share have been calculated using the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated using the weighted average number of additional ordinary shares that would have been outstanding during the year assuming the conversion of all dilutive potential ordinary shares.

3. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES

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 are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES - continued

Fair value of investment property

Investment property is revalued annually to fair value by using valuations prepared by external independent valuers. These valuations are based upon assumptions including future rental value, anticipated property costs, future development costs and the appropriate discount rate. Reference is also made to market evidence of transaction prices for similar properties. These estimates are subjective in nature and involve uncertainties, and therefore, cannot be determined with precision.

Expected credit losses on loans receivable

In assessing the recoverability of the amounts owed by the fellow subsidiary, the directors took into consideration the expected future outcome of the fellow subsidiary.

When measuring the expected credit losses (ECL), the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4. REVENUE

There is no rental income for the years ended 31 March 2023 and 31 March 2022 as the Company and the lessee (a related party) agreed that the Company shall not charge rental fees for the period of three years commencing from 1 April 2020 to 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:

	2023	2022
	€	€
Amortisation of bond issuance costs	**6,798**	-
Amortisation of computer software	**590**	-
Auditor's remuneration	**9,000**	5,000
Directors' remuneration	**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:

	2023	2022
	€	€
Auditor's remuneration	**9,000**	5,000
Other assurance services	**1,500**	-
Tax compliance	**500**	200
	11,000	5,200

6. STAFF COSTS

Payroll costs for the year comprise of the following:

	2023	2022
	€	€
Directors' remuneration	**15,750**	-

The average number of persons employed by the Company during the year was 1 (2022: nil).

7. INTEREST INCOME

	2023	2022
	€	€
Interest on related party loans	**159,093**	-

8. INTEREST EXPENSE

	2023	2022
	€	€
Interest expense on bonds payable	**230,137**	-
Bank charges and interest	**18,972**	8,215
	249,109	8,215

NOTES TO THE FINANCIAL STATEMENTS - continued

9. TAXATION

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

	2023	2022
	€	€
Current tax charge	-	-
Deferred tax charge	2,152,997	249,694
	2,152,997	249,694

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:

	2023	2022
	€	€
Profit before tax	21,328,281	2,155,751
Theoretical tax expense at 35% expense at 35%	7,464,898	754,513
Tax effect of:		
ECL disallowed for tax purposes	14,247	119,416
Difference between amortisation and capital allowances	52	-
Unutilised tax losses and capital allowances	56,293	-
Difference between 10% deferred tax on investment property and 35% on gain in fair value	(5,382,493)	(624,235)
	2,152,997	249,694

At 31 March 2023, the Company had a potential deferred tax asset amounting to €56,293 emanating from unutilised tax losses and capital allowances. This amount has not been recognised since the directors do not consider it prudent to recognise such asset in view of the unpredictability of future profits against which this may be utilised.

10. INTANGIBLE ASSETS

	Computer software
	€
Cost	
Additions	1,770
Accumulated amortisation	
Amortisation for the year	(590)
Net book value	
At 31 March 2023	1,180
At 31 March 2022	-

NOTES TO THE FINANCIAL STATEMENTS - continued

11. INVESTMENT PROPERTY

	2023	2022
	€	€
Opening balance	**44,591,856**	42,094,916
Change in fair value	**21,529,971**	2,496,939
	66,121,827	44,591,855

The investment property is a hotel and is being operated by a fellow subsidiary and is carried at fair value. There is no rental income for the years ended 31 March 2023 and 31 March 2022. The Company has not incurred direct operating expenses arising from its investment property.

The fair value of the investment property as at 31 March 2023 and 31 March 2022 is based on valuations by an independenct 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:

	2023	2022
	€	€
Fair value as per architect's valuation as at end of year	**84,469,528**	56,938,165
Carrying amount of PPE as at end of year (i)	**(18,347,701)**	(12,346,310)
	66,121,827	44,591,855

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 2023 and 31 March 2022, 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:

	2023	**2022**
	€	**€**
Cost	**14,043,100**	14,043,100
Accumulated depreciation	**(2,078,788)**	(1,980,486)
	11,964,312	12,062,614

The Company's investment property is used as a gurantee for a first ranking special hypotech 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

12. LOANS RECEIVABLE

	2023	2022
	€	€
Loans receivable - non-current (i)	**9,439,318**	-

i. Loans receivable as of 31 March 2022 were non-interest bearing and repayable on demand. On 15 December 2022, the Company entered into a loan facility agreement with its fellow subsidiary, making the loans receivable as of 31 March 2023 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. The Company's exposure to credit risk related to loans receivable is disclosed in Note 22.

13. LOANS AND OTHER RECEIVABLES

	2023	2022
	€	€
Loans receivable - current (i)	**1,230,000**	6,719,317
Impairment of loans to fellow subsidiary (ii)	**(416,172)**	(375,465)
	813,828	6,343,852

i. Loans receivable as of 31 March 2022 were non-interest bearing and repayable on demand. On 15 December 2022, the Company entered into a loan facility agreement with its fellow subsidiary, making the loans receivable as of 31 March 2023 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 impairment provision on receivable from related party amounting to €40,707 during the year ended 31 March 2023 (2022: €326,103).

The Company's exposure to credit risk related to loans receivable is disclosed in Note 22.

14. SHARE CAPITAL

	2023	2022
	€	€
Authorised, issued and fully paid up		
1,000,000 Ordinary Shares at €2.329373 each	**2,329,373**	2,329,373

The 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

15. BORROWINGS

	2023	2022
	€	€
Non-current portion		
Bank loans (i)	-	10,173,359
€25,000,000 bonds, 5.25%, 2023-2033 (ii)	**24,399,659**	-
	24,399,659	10,173,359
Current portion		
Bank loans (i)	-	1,431,484
	-	1,431,484

i. The Company's banking facilities were secured by general and special hypothecs over the Company's assets including the investment property and guarantees given by a related party. Bank loans as at 31 March 2022 bore interest at the rate of 250 and 375 basis points per annum above the 3 month EURIBOR rate. If the 3 month EURIBOR fell below 0%, the bank would apply a rate of 250 and 375 basis points over 0% which would be the 'floor' until the 3 months EURIBOR rises again above the floor rate. During the year, the Company fully paid its outstanding bank loans from the proceeds of its public bonds.

ii. 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 2023 amounting to €6,798.

16. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period.

The balance represents temporary difference attributable to:

	2023	2022
	€	€
Opening value of investment property	**4,459,186**	4,209,492
Movement for the year	**2,152,997**	249,694
Closing fair value of investment property	**6,612,183**	4,459,186

NOTES TO THE FINANCIAL STATEMENTS - continued

17. TRADE AND OTHER PAYABLES

	2023	2022
	€	€
VAT payable	**136,507**	274,190
Accruals	**256,144**	14,925
FSS payable	**3,462**	-
	396,113	289,115

18. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Basic earnings per share

	2023	2022
Profit attributable to equity holders of the Company	**€ 19,175,284**	€ 1,906,057
Weighted average number of shares in issue	**1,000,000**	1,000,000
Basic and diluted earnings per share	**€ 19.18**	€ 1.91

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

19. 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:

	2023	2022
	€	€
Bank balances	**58,270**	70

NOTES TO THE FINANCIAL STATEMENTS - continued

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:

	2023	2022
	€	€
Interest income:		
Fellow subsidiary company	**159,093**	-
Loans:		
Fellow subsidiary company	**(584,433)**	-
Remunerations:		
Directors' remuneration	**15,750**	-

The outstanding balances arising from the above transactions are disclosed in Notes 6, 12 and 13 to these financial statements.

21. 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 1 April 2022	**Net cash proceeds/ (repayments)**	**Non-cash changes Effective interest**	**Balance at 31 March 2023**
	€	**€**	**€**	**€**
Bank loans	11,604,843	(11,604,843)	-	-
€25,000,000 bonds, 5.25%, 2023-2033	-	24,162,724	236,935	24,399,659
	11,604,843	**12,557,881**	**236,935**	**24,399,659**

	Balance at 1 April 2021	**Net cash proceeds/ (repayments)**	**Non-cash changes Effective interest**	**Balance at 31 March 2022**
	€	**€**	**€**	**€**
Bank loans	**7,626,104**	**3,978,739**	**-**	**11,604,843**

NOTES TO THE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT

At year end, the Company's main financial assets in the statement of financial position comprise of loans receivable and other receivables. At year end, there were no off-balance sheet financial assets.

At year end, the Company's main financial liabilities in the statement of financial position comprise borrowings, trade and other payables. At year end, there were no off-balance sheet financial liabilities.

Exposure to credit and liquidity risks arise in the normal course of the company's operations.

Timing of cash flows

The presentation of the financial assets and liabilities 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

Qawra Palace p.l.c. manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's strategy remains unchanged from 2022.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 15, and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings as disclosed in Notes 14 to these financial statements and in the statement of changes in equity.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the company to concentrations of credit risk consist principally of certain trade and other receivables and cash at bank.

The credit risk relating to cash at bank is considered to be low in view of management's policy of placing it with quality financial institutions.

The loans receivable are mainly receivables from a fellow subsidiary. Such financial assets are presented net of an allowance for doubtful debts. In terms of IFRS 9, the company applies an ECL model. In the opinion of the directors, credit risk is not significant as the balance is mainly a receivable from a fellow subsidiary which although is not currently in a liquidity position to repay the balance, expected future cash flows of the related company are highly indicative that no credit loss would result. An impairment provision (lifetime ECL) of €40,707 (2022: €326,103) on this balance, calculated in accordance with the requirements of IFRS 9, has been charged to the statement of comprehensive income during the year ended 31 March 2023. The impairment provision against this balance as at 31 March 2023 amounts to €416,172 (2022: €375,465). The directors assess the recoverability of this receivable on an ongoing basis.

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes the risk that obligations cannot be met as and when they fall due. Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management.

NOTES TO THE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

The directors monitor the liquidity risk by forecasting the expected cash flows in order to ensure that adequate funding is in place for the Company to be in a position to meet its commitments as and when they fall due. Moreover, financing from the parent company is readily available in order to support the Company in meeting its obligations when they fall due.

The following table analyses the Company's contractual cash flow maturities of the Company's financial liabilities:

	Trade and other payables	**Bonds payable (including interest)**	**Bank loans**	**Total**
Financial year ended 31 March 2023				
Due within one year	**139,969**	**1,424,297**	**-**	**1,564,266**
Due after one year but within five years	**-**	**5,253,596**	**-**	**5,253,596**
Due after five years	**-**	**31,569,692**	**-**	**31,569,692**
	139,969	**38,247,585**	**-**	**38,387,554**
Financial year ended 31 March 2022				
Due within one year	274,190	-	1,431,484	1,705,674
Due after one year but within five years	-	-	5,958,804	5,958,804
Due after five years	-	-	4,214,555	4,214,555
	274,190	-	11,604,843	11,879,033

Fair values

The carrying amounts of cash at bank, other receivables, trade and other payables are stated their face values which approximates their fair values due to their short-term maturities.

The carrying amounts of loan receivable and borrowings are stated at their amortised cost, which is equivalent to their present values using the effective interest method and thus a reasonable approxiation of the fair values as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS - continued

23. 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.

24. FAIR VALUE MEASUREMENT

The Company measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments

The carrying amounts of cash at banks, trade and other receivables (excluding prepayments), other financial assets at amortised cost, trade and other payables (excluding accruals), and other financial liabilities at amortised cost are carried at their present values using the effective interest method (where discounting is material) which is a reasonable approximation of their fair values as at period end.

Investment property

The fair value of the investment property, appraised by an independent valuer, was determined based on level 3 inputs. These level 3 inputs include future rental value, anticipated property costs, future developments and an appropriate discount rate.

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta
T +356 2278 7000
F +356 2149 3318
www.rsm.com.mt

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 - 36, which comprise the statement of financial position as at 31 March 2023, 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 significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the 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 (ISA). 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

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 2023 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 is carried at its fair value of €66,121,827. 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 2023 and 31 March 2022 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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of Financial Statements - continued

Key Audit Matters - continued

Assessment of the Recoverability of Loans Receivable

We identified the recoverability, and hence the valuation, of the loans receivable from a fellow subsidiary as a key audit matter due to the significant degree of judgement made by management in assessing whether such loans were subject to impairment and consequently in determining the extent of allowance for expected credit losses ("ECL").

As at 31 March 2023, the Company had loans receivable amounting to €10,669,318, in respect of which an allowance for ECL of €416,172 was made.

Our procedures in relation to the recoverability of receivables included:

- Reviewing the terms surrounding the agreements;
- Assessing the financial soundness of the fellow subsidiary. In doing this, we referred to the management accounts, the business plans and the projections made available to us;
- Understanding and evaluating the workings and assumptions underlying the assessment for the loss allowance under IFRS 9; and
- Based on evidence and explanations obtained, we concur with the management's view with respect to the recoverability of the balances.

Other Matter

The financial statements of Qawra Palace p.l.c. (formerly known as Mallard Properties Limited) for the year ended 31 March 2022 were audited by another auditor who expressed an unqualified opinion on those financial statements on 15 March 2022.

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 principles of good corporate governance. Our opinion on the financial statements does not cover the other information, including the directors' report.

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

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of Financial Statements - continued

Other information - continued

Under Article 179(3) of the 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 Companies Act (Cap. 386);
- the information given in the directors' report for the financial year on which the financial statements had been 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 as adopted by the EU and the requirements of the 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.

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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of Financial Statements - continued

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

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.
- 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.
- 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.
- 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.

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

INDEPENDENT AUDITORS' REPORT - continued

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the 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 Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles. The Capital Markets Rules also require the auditor to include a 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. 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.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 8 - 13 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 (formerly known as Mallard Properties Limited) for the year ended 31 March 2023, 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.

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 - continued

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 2023 has been prepared in XHTML format in all material respects.

Other matters on which we are required to report by exception

Under the Companies Act (Cap. 386), we are also responsible to report to you if, in our opinion:

- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- We were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes 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 in this regard.

Appointment

We were first appointed to act as auditors of the Company by the shareholders of the Company on 18 April 2023 for the year ended 31 March 2023 at the Company's general meeting. The period of uninterrupted engagement as statutory auditor of the Company is one financial period.

RSM Malta
Registered Auditors
Mdina Road
Zebbug ZBG 9015
Malta

Conrad Borg
Principal

28 July 2023

ADMINISTRATIVE EXPENSES

	2023	2022
	€	€
Amortisation of bond issuance costs	**6,798**	-
Amortisation of intangible assets	**590**	-
Auditors' remuneration	**9,000**	5,000
Company registration fee	**1,300**	1,200
Consulting and professional fees	**31,131**	470
Directors' remuneration	**15,750**	-
Fines and penalties	**-**	200
Repairs and maintenance	**3,688**	-
Subscriptions	**2,710**	-
	70,967	6,870