

QAWRA PALACE P.L.C.

**Condensed Interim Financial Statements
30 September 2024**

CONTENTS

	Pages
Interim directors' report	1 - 2
Condensed statement of financial position	3
Condensed statement of comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Notes to the condensed interim financial statements	7 - 9
Statement Pursuant to Capital Markets Rule 5.75.3	10

Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Capital Markets Rules issued by the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from Qawra Palace p.l.c. unaudited financial information as at 30 September 2024 and the six-month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited by the company's independent auditors.

Principal activities

Qawra Palace p.l.c. (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, which operates in the 4-star category. The Company on-lent monies to Mallard from the proceeds of the Bond Issue (as described below and detailed in the Prospectus).

Review of the business

The Company

In February 2023, the Company had 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 proceeds of the Bond Issue were utilised in line with the Prospectus, with €16.4 million repaying existing bank loans, €6.7 million passed on by way of loan to Mallard to upgrade the existing hotel and develop new amenities and catering outlets within the complex and the remaining portion of €1.9 million allocated for general corporate funding purposes.

During the period ending 30 September 2024, the Company generated rental income of €1.2 million and a profit before tax of €1.4 million. The Company is dependent on the business prospects of Mallard and, therefore, the trend information relating to the operation of the hotel has a material effect on its financial position.

Mallard continued experiencing growth in revenue. The hotel generated revenues of €15 million compared to €7.7 million in the corresponding period last year, an increase of almost 95%. This surge in revenue is mainly attributable to the fact that in 2023 the hotel started operating in June at reduced capacity and with some works still in progress. Notwithstanding, during this financial year the hotel is also performing exceptionally well in terms of occupancy levels, increased room rates and remarkably good reviews from guests who stayed at the hotel. Average occupancy for the first six months of the financial year is of 95.20%, while the average daily rate increased by 10% over 2023.

The Company's total assets as at 30 September 2024 stood at €93.1 million (31 March 2024: €91.6 million). The Company has a strong equity position of €60.1 million and a current asset net of current liability position of €2.7 million.

Principal risks and uncertainties for the remaining six months of the financial year

Given that the Company is not a trading company, the principal risks and uncertainties arise from the business of Mallard, the entity entrusted with the management and operation of the Qawra Palace Hotel. The planned refurbishment of the hotel as explained in the Prospectus is now fully completed. The risks and uncertainties are now mainly represented by the business prospects and the well-being of the tourism industry.

Tourism has regained its momentum, the accommodation and leisure industry is recovering faster than originally anticipated and this is reflected in the results of the hospitality industry throughout Malta. To date the hotel's results are better than the previous year and bookings are very encouraging. The management looks forward with optimism to yet another year of good results.

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.

The Company has prepared projections for the year ending 31 March 2025, based on actual results for the six months ended 30 September 2024 and forecasts thereafter. As reported earlier, for the first six months of the Company's financial year ended 30 September 2024, the Company achieved a profit before tax of €1.4 million (30 September 2023: €0.7 million). Management is hopeful that this positive trend will continue during the rest of the financial year. The Company is not expecting material changes to depreciation, amortisation and net finance costs.

These projections are available in the Financial Analysis Summary report issued in September 2024, which is available on the Company's website <https://www.qawrapalaceplc.com/>.

In view of the projections outlined above, the directors are of the opinion that the Company will have the necessary funds to finance the bond interest falling due in February 2025 and going forward.

The directors concur with the going concern assumption for preparation of these interim financial statements and do not envisage any material uncertainty in this regard.

Results and dividends

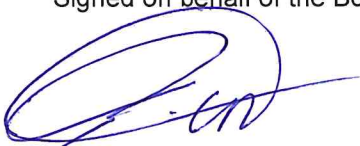
The directors do not recommend the payment of an interim dividend.

Directors

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

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

Signed on behalf of the Board of Directors on 28 November 2024:



Robert Ancilleri
Director



Victor Vella
Director

INTERIM STATEMENT OF FINANCIAL POSITION

For the period from 1 April 2024 to 30 September 2024

	Notes	30 September 2024 €	31 March 2024 €
ASSETS			
Non-current assets			
Investment property	2	88,892,868	70,820,447
Intangible assets		295	590
Loans receivable		-	18,579,276
Total non-current assets		<u>88,893,163</u>	<u>89,400,313</u>
Current Assets			
Loans receivable		1,362,274	794,939
Trade and other receivables		10,003	1,210,552
Current tax receivable		3,405	-
Accrued income		1,224,000	-
Cash and cash equivalents		1,630,727	147,035
Total current assets		<u>4,230,409</u>	<u>2,152,526</u>
Total Assets		<u>93,123,572</u>	<u>91,552,839</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		2,329,373	2,329,373
Retained earnings		57,753,928	56,611,945
TOTAL EQUITY		<u>60,083,301</u>	<u>58,941,318</u>
Non-current liabilities			
Borrowings	4	24,474,721	24,450,240
Deferred tax		7,082,045	7,082,045
Total non-current liabilities		<u>31,556,766</u>	<u>31,532,285</u>
Current Liabilities			
Trade and other payables		791,164	597,492
Current tax payable		692,341	481,744
Total current liabilities		<u>1,483,505</u>	<u>1,079,236</u>
Total Liabilities		<u>33,040,271</u>	<u>32,611,521</u>
Total Equity and Liabilities		<u>93,123,572</u>	<u>91,552,839</u>

The notes on pages 7 to 9 are an integral part of these condensed interim financial information.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 April 2024 to 30 September 2024

	1 April to 30 September 2024 €	1 April to 30 September 2023 €
Rental income	1,224,000	1,200,000
Administrative expenses	(72,042)	(62,737)
Operating Profit	1,151,958	1,137,263
Recovery/(impairment provision) on receivable from related party	572,505	(117,599)
Interest income	287,007	309,212
Interest expense	(658,890)	(658,048)
Profit before tax	1,352,580	670,828
Taxation	(210,597)	(270,576)
Profit for the financial period	1,141,983	400,252
Total comprehensive income for the period	1,141,983	400,252

The notes on pages 7 to 9 are an integral part of these condensed interim financial information.

INTERIM STATEMENT OF CHANGES IN EQUITY
For the period from 1 April 2024 to 30 September 2024

	Share Capital	Retained Earnings	Total Equity
	€	€	€
Interim 30 September 2023			
Balance at 1 April 2023	2,329,373	51,335,740	53,665,113
Total comprehensive income for the period:	-	-	-
Profit for the period		400,252	400,252
Balance as at 30 September 2023	2,329,373	51,735,992	54,065,365
	Share Capital	Retained Earnings	Total Equity
	€	€	€
Interim 30 September 2024			
Balance at 1 April 2024	2,329,373	56,611,945	58,941,318
Total comprehensive income for the period:	-	-	-
Profit for the period		1,141,983	1,141,983
Balance as at 30 September 2024	2,329,373	57,753,928	60,083,301

The notes on pages 7 to 9 are an integral part of these condensed interim financial information.

INTERIM STATEMENT OF CASH FLOWS
For the period from 1 April 2024 to 30 September 2024

	1 April to 30 September 2024 €	1 April to 30 September 2023 €
Cash from operating activities:		
Profit before tax	1,352,580	670,827
Adjustment for:		
Finance costs	658,890	658,048
Impairment movement on receivable balance	(572,505)	117,599
Finance income	(287,007)	(309,212)
Amortisation of bond issuance costs	24,481	21,381
Amortisation of intangible assets	295	295
Profit from operations	1,176,734	1,158,938
Increase in receivables	(26,856)	(1,501,241)
Movement in cash held by trustee	-	6,967,912
Decrease in trade and other payables	(465,218)	(53,477)
Cash from operating activities	684,660	6,572,132
Interest paid	-	-
Payments of income taxes	-	-
Net cash flows generated from operating activities	684,660	6,572,132
Cash flows from investing activities:		
Movement in balances with related company	799,032	(6,594,414)
Net cash flows generated from/(used in) investing activities	799,032	(6,594,414)
Net increase/(decrease) in cash and cash equivalents	1,483,692	(22,282)
Cash and cash equivalents at beginning of period	147,035	58,270
Cash and cash equivalents at end of period	1,630,727	35,988

There were non-cash transactions during the year ended 30 September 2024 excluded in investing activities amounting to €18,072,421 (2023: €nil) as disclosed in Note 2.

The notes on pages 7 to 9 are an integral part of these condensed interim financial information.

Notes to the Financial Statements

1. Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention (except for investment property which is measured using the fair value model) and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Companies Act (Cap. 386 of the laws of Malta) enacted in Malta.

The accounting policies adopted in the preparation of the 2024 interim Financial Statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2024.

2. Investment property

The investment property is a hotel and is being operated by a fellow subsidiary and is carried at fair value. The rent charged by the Company to the related company for the period ending 30 September 2024 amounts to €1,224,000 exclusive of indirect taxes. The Company has not incurred direct operating expenses arising from its investment property.

	30 September 2024	31 March 2024
	€	€
At Fair Value		
Opening balance	70,820,447	66,121,827
Additions	18,072,421	-
Change in fair value	-	4,698,620
	<u>88,892,868</u>	<u>70,820,447</u>
	30 September 2024	31 March 2024
	€	€
Book value as at 30 September	108,840,134	105,532,937
Carrying amount of PPE as at end of year	<u>(19,947,266)</u>	<u>(34,712,490)</u>
	<u>88,892,868</u>	<u>70,820,447</u>

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

2. Investment property – continued

During the interim period ended 30 September 2024, Mallard recharged the cost of construction and finishings carried out in the hotel to the Company as repayment of outstanding loan payable.

3. Related parties

Related parties include those entities which are owned directly and indirectly by ultimately common shareholders. During the period, the Company entered into transactions with a related company, related by way of common shareholders.

	30 September 2024 €	30 September 2023 €
Interest income:		
Fellow subsidiary company	<u>287,007</u>	309,212
Loans:		
Fellow subsidiary company	<u>-</u>	(6,967,912)
Remuneration:		
Directors' remuneration	<u>16,650</u>	21,925
Rental income:		
Rental income from fellow subsidiary	<u>1,224,000</u>	1,200,000
PPE recharge:		
Recharge of construction & finishing costs	<u>18,072,421</u>	-

4. Borrowings

	30 September 2024 €	31 March 2024 €
Non-current portion		
€25,000,000 bonds, 5.25%, 2023-2033 (ii)	<u>24,474,721</u>	<u>24,450,240</u>

4. Borrowings - continued

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 30 September 2024 amounting to €24,481.

5. Segment reporting

The Company has only one operating segment as described in the principal activities in the Director's report. The financial performance of the main operating segment is as represented in the Condensed Consolidated Income Statement.

Statement pursuant to Capital Markets Rule 5.75.3

We hereby confirm that to the best of our knowledge:

- The condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 September 2024, as well as of the financial performance and cash flows for the said period, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34: 'Interim Financial Reporting'); and
- The Interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rule 5.81.

Signed on behalf of the Board of Directors on 28 November 2024:



Robert Ancilleri
Director



Victor Vella
Director