

The following is a Company Announcement issued by QAWRA PALACE P.L.C., a company registered under the laws of Malta with company registration number C 27835 (hereinafter the “Company”), pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the laws of Malta), as amended from time to time.

Quote

Approval and Publication of Half-Yearly Financial Statements

The Company announces that during a meeting of its Board of Directors held on 28th November 2023, the Company’s half-yearly financial report and unaudited condensed financial statements for the six-month financial period ended 30th September 2023 were approved.

The Board resolved not to declare an interim dividend.

A copy of the aforesaid half-yearly unaudited financial statements, as approved, is available for viewing below as an attachment to this announcement and at the Company’s registered office, and is also available for download from the following link on the Company’s website: <https://www.qawrapalaceplc.com/investors>.

Unquote

By order of the Board



Dr Luca Vella
Company Secretary

28th November 2023

Company Announcement: QWR09

QAWRA PALACE P.L.C.

Condensed Interim Financial Statements
30 September 2023

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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 2023 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. 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 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 proceeds of the Bond Issue were utilised in line with the Prospectus dated 20 December 2022, with €16.4 million repaying existing bank loans, €6.7 million to be 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 to be allocated for general corporate funding purposes.

The company's total assets as at 30 September 2023 stood at €86.4 million (31 March 2023: €85.1 million). The company reported a profit before tax of €670,828 for the period ended 30 September 2023 (2022: loss €268,995). This was attributable to rental and interest that started being charged to its fellow subsidiary company during the period under review.

Qawra Palace p.l.c. is dependent on the business prospects of the operating company (Mallard Co. Ltd.) and, therefore, the trend information relating to the operation of the hotel has a material effect on its financial position.

The hotel opened its doors for business on 1 June 2023. Up till 30 September 2023 the hotel generated revenues of €7.7 million compared to €5 million in the corresponding period last year, an increase of 54%. Total revenues in the first half of 2023 are 10% higher than pre-pandemic levels registered in the same period for 2019. These positive results are mainly attributable to strong occupancy levels, which despite opening in June 2023, these averaged to 93.85%, coupled with increased room rates (31% over 2019 rates).

Management of the operating company is confident that these positive results obtained so far should be further improved upon in the coming months. In fact, revenue generated for October and November exceeded expectations.

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

The Qawra Palace Hotel is still undergoing refurbishment and seeking the completion of certain amenities extension project which is being carried out by the related company. The timely completion of the associated works is dependent on various external factors and third-party contractors. This is subject to a number of specific risks including delays, cost overruns and the inability to source adequate resources to complete the project.

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 2024, based on actual results for the six months ended 30 September 2023 and forecasts thereafter. As reported earlier, for the first six months of the Company's financial year ended 30 September 2023, the Company achieved a profit before tax of €0.67 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 2023, 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 Issuer will have the necessary funds to finance the bond interest falling due in February 2024 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

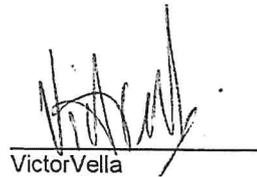
The directors of the company who held office during the year were:

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

Signed on behalf of the Board of Directors:



Robert Ancilleri
Director



Victor Vella
Director

INTERIM STATEMENT OF FINANCIAL POSITION
For the period from 1 April 2023 to 30 September 2023

	Notes	30 September 2023 €	31 March 2023 €
ASSETS			
Non-current assets			
Investment property	2	66,121,827	66,121,827
Intangible assets		885	1,180
Loans receivable		15,134,171	9,439,318
Total non-current assets		<u>81,256,883</u>	<u>75,562,325</u>
Current Assets			
Loans and other receivables		1,905,000	813,828
Cash held by trustee		1,650,150	8,618,062
Current tax receivable		5,136	5,136
Accrued income		1,509,212	-
Prepayments		7,475	15,447
Cash and cash equivalents		35,988	58,270
Total current assets		<u>5,112,961</u>	<u>9,510,743</u>
TOTAL ASSETS		<u><u>86,369,844</u></u>	<u><u>85,073,068</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		2,329,373	2,329,373
Retained earnings		51,735,992	51,335,740
TOTAL EQUITY		<u>54,065,365</u>	<u>53,665,113</u>
Non-current liabilities			
Borrowings	4	24,421,040	24,399,659
Deferred tax		6,612,184	6,612,183
Total non-current liabilities		<u>31,033,224</u>	<u>31,011,842</u>
Current Liabilities			
Tax payable		270,576	-
Trade and other payables		1,000,679	396,113
Total current liabilities		<u>1,271,255</u>	<u>396,113</u>
Total Equity and Liabilities		<u><u>86,369,844</u></u>	<u><u>85,073,068</u></u>

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 April 2023 to 30 September 2023

	1 April to 30 September 2023 €	1 April to 30 September 2022 €
Rental income	1,200,000	-
Administrative expenses	(62,737)	(66,772)
Operating Profit/(loss)	1,137,263	(66,772)
Impairment provision on receivable from related party	(117,599)	-
Interest income	309,212	-
Interest expense	(658,048)	(202,223)
Profit/(loss) before tax	670,828	(268,995)
Taxation	(270,576)	-
Profit/(loss) for the financial period	400,252	(268,995)
Total comprehensive income/(loss) for the period	400,252	(268,995)

INTERIM STATEMENT OF CHANGES IN EQUITY
For the period from 1 April 2023 to 30 September 2023

	Share Capital €	Retained Earnings €	Total Equity €
Interim 30 September 2022			
Balance at 1 April 2022	2,329,373	32,160,456	34,489,829
Total comprehensive loss for the period:	-	-	-
Loss for the period	-	(268,995)	(268,995)
Balance as at 30 September 2022	<u>2,329,373</u>	<u>31,891,461</u>	<u>34,220,834</u>

	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	<u>2,329,373</u>	<u>51,735,992</u>	<u>54,065,365</u>

INTERIM STATEMENT OF CASH FLOWS
For the period from 1 April 2023 to 30 September 2023

	1 April to 30 September 2023 €	1 April to 30 September 2022 €
Cash from operating activities:		
Profit/(loss) before tax	670,827	(268,995)
Adjustment for:		
Interest expense	658,048	202,223
Impairment loss	117,599	-
Interest income	(309,212)	-
Change in fair value of investment property	-	-
Amortisation of bond issuance costs	21,381	-
Amortisation of intangible assets	295	-
Profit/(loss) from operations	1,158,938	(66,772)
Movement in other receivables	(1,501,241)	-
Movement in cash held by trustee	6,967,912	-
Decrease in trade and other payables	(53,477)	(2,705)
Cash from/(used in) operating activities	6,572,132	(69,477)
Interest paid	-	-
Payments of income taxes	-	(84,975)
Net cash flows generated from/(used in) operating activities	6,572,132	(154,452)
Cash flows from investing activities:		
Payments to acquire intangible assets	-	-
Movement in balances with related company	(6,594,414)	(2,245,997)
Net cash flows used in investing activities	(6,594,414)	(2,245,997)
Cash flows from financing activities:		
(Repayments)/proceeds of bank loans	-	2,602,813
Payments of interest classified as financing	-	(202,223)
Net cash flows generated from financing activities	-	2,400,590
Net cash (decrease)/increase in cash and cash equivalents	(22,282)	141
Cash and cash equivalents at beginning of year	58,270	70
Cash and cash equivalents at end of year	35,988	211

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) enacted in Malta.

The accounting policies adopted in the preparation of the 2023 interim Financial Statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2023.

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 2023 amounts to €1,200,000 exclusive of indirect taxes. The Company has not incurred direct operating expenses arising from its investment property.

	30 September 2023	31 March 2022
	€	€
At Fair Value		
Opening balance	66,121,827	44,591,856
Change in fair value	-	21,529,971
	66,121,827	66,121,827
	66,121,827	66,121,827
	2023	2022
	€	€
Book value as at 30 September	98,435,073	84,469,528
Carrying amount of PPE as at end of year	(32,313,246)	(18,347,701)
	66,121,827	66,121,827

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, 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.

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.

	September 2023 €	September 2022 €
Interest income:		
Fellow subsidiary company	<u>309,212</u>	-
Loans:		
Fellow subsidiary company	<u>(6,967,912)</u>	(2,345,249)
Remuneration:		
Directors' remuneration	<u>21,925</u>	-
Rental income:		
Rental income from fellow subsidiary	<u>1,200,00</u>	

4. Borrowings

	30 September 2023 €	31 March 2022 €
Non-current portion		
€25,000,000 bonds, 5.25%, 2023-2033 (ii)	<u>24,421,040</u>	<u>24,399,654</u>

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 €658,048 with amortisation during the year ended 30 September 2023 amounting to €21,381.

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 2023, 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:



Robert Ancilleri
Director



Victor Vella
Director

28 November 2023