

**MALLARD PROPERTIES LIMITED**

**Reg. No: C 27835**

**Report and Financial Statements  
31 March 2022**

# **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

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## **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

### **Company information**

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Directors	Victor Vella Edward Vella Esther Vella
Secretary	Jason Azzopardi
Company Number	C 27835
Registered Office	Qawra Palace Hotel Coast Road St. Paul's Bay Malta
Auditor	FACT Audit Cornerline Dun Karm Street Birkirkara, BKR 9039 Malta
Banker	Bank of Valletta p.l.c 85, St Paul's Street St Paul's Bay Malta

# **MALLARD PROPERTIES LIMITED**

## **Annual Report and Financial Statements for the year ended 31 March 2022**

### **Directors' report**

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The directors present their report and the company's audited financial statements for the year ending 31 March 2022.

#### **Principal Activity**

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

#### **Review of the business**

Due to COVID-19, the lessee (a related company) of the company, which lessee operates the hotel, was required to close the hotel for several months commencing in March 2020. Consequently, the company and the lessee agreed that the company shall not charge rental fees for a 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.

The company reports a profit before taxation of €2,155,751 for the year ended 31 March 2022. This profit arises following the revaluation of the investment property (the hotel) resulting in a gain arising from the change in fair value amounting to €2,496,939 (2021: €29,934,000). During the years ended 31 March 2021 and 31 March 2022, as explained above, the company did not generate any rental income. After deducting administrative expenses of €6,870 (2021: €100,772), interest payable of €8,215 (2021: €576) and an impairment provision on receivable from related company of €326,103 (2021: €49,362), the company reports a profit before taxation of €2,155,751 (2021: €29,783,290).

Owing to the company's and related company's financial position, liquidity, access to credit, cost control and the government financial assistance including the COVID-19 wage supplement and deferral tax payment scheme, the company and related company managed to weather the storm of COVID-19 and the directors are now very positive of the Group's future. As a result of world-wide successful vaccination programmes, the situation has improved drastically over the last several months and tourism levels are getting closer to pre COVID-19 levels, as a result of which recent results of the related company are encouraging. The directors are confident that the related company's operations will continue to recover. It has been agreed by the company and the related company that the company shall recommence charging rental income for the period commencing 1 April 2023 and thereafter.

As reported in more detail in note 20, in order to strengthen its competitive position, the directors embarked on a major extension and upgrade of the hotel, which once completed, should enable the hotel to compete with the top performing 4-star hotels in the northern area of Malta.

#### **Results and Dividends**

The results for the year ended 31 March 2022 are shown in the statement of comprehensive income on page 7. The profit for the year after taxation was €1,906,057 (year 2021: €25,573,798).

The directors have not paid any interim dividends during the year and do not recommend payment of a dividend.

#### **Principal risks**

The company is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. These are reported in note 18 of the financial statements.

#### **Events after the reporting period**

The directors identified the events between the end of the reporting period and the approval of these financial statements and these are disclosed and explained in note 20 of the financial statements.



## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Directors' report

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#### Directors

The directors who served during the year were :

Victor Vella

Edward Vella

Esther Vella

In accordance with the company's Articles of Association, the directors are to remain in office.

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

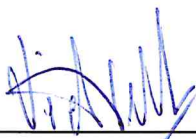
- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Financial accounting framework

The directors have resolved to prepare the Company's financial statements for the year ending 31 March 2022 in accordance with International Financial Reporting Standards as adopted by the EU.

Approved by the Board on 31 August 2022 and signed on its behalf by:



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**Victor Vella**  
Director



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**Esther Vella**  
Director

**MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

**Independent auditor's report to the members of the Company**

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**Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of Mallard Properties Limited (the Company), set out on pages 7 to 33, which comprise the statement of financial position as at 31 March 2022, and 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

*Emphasis of matter*

We draw attention to note 20 in the financial statements which discusses the effects on the Company of the COVID-19 outbreak, which virus was announced as a global health emergency by the World Health Organisation (WHO) on 30 January 2020 and declared as a pandemic by WHO on 11 March 2020. Our opinion is not modified in respect of this matter.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other information*

The directors are responsible for the other information. The other information comprises the information included in the 'Company information' and in the 'Directors' report' but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



## **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

### **Independent auditor's report to the members of the Company**

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With respect to the Directors' report, we also considered whether the Directors' report includes the disclosure requirements of Article 177 of the Maltese Companies Act (Cap.386).

In accordance with the requirements of sub-article 179(3) of the Maltese Companies Act (Cap. 386) in relation to the Directors' report on pages 2 - 3, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

#### *Responsibilities of the directors*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, and 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.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Independent auditor's report to the members of the Company

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

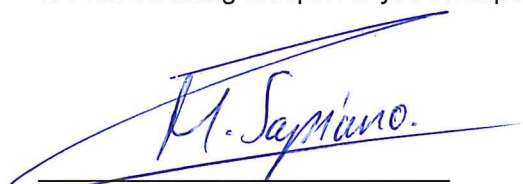
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act, Cap. 386 we are also obliged to report to you if, in our opinion:

- The information given in the director's report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- 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 have nothing to report to you in respect of these responsibilities.

A handwritten signature in blue ink, reading "M. Sapiano", with a large, sweeping flourish underneath.

Matthew Sapiano

Partner for, and on behalf of,

**FACT Audit**

Registered Auditor

Cornerline

Dun Karm Street

Birkirkara, BKR 9039

Date : 31 August 2022

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Statement of comprehensive income

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	Note	2022 Eur	2021 Eur
<b>Rental Income</b>	6	-	-
<i>Less:</i>			
Administrative expenses		(6,870)	(100,772)
<b>Operating loss</b>		(6,870)	(100,772)
Change in fair value of investment property	9	2,496,939	29,934,000
Impairment provision on receivable from related company		(326,103)	(49,362)
Interest payable and similar charges		(8,215)	(576)
<b>Profit before taxation</b>	7	2,155,751	29,783,290
Current year taxation	8	-	-
Deferred taxation	8	(249,694)	(4,209,492)
<b>Profit for the year</b>		1,906,057	25,573,798
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		1,906,057	25,573,798

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*The notes on pages 11 to 33 form an integral part of these financial statements.*


**MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

**Statement of financial position**

	Notes	2022 Eur	2021 Eur
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	9	<b>44,591,855</b>	42,094,916
<b>Current assets</b>			
Receivables	10	<b>6,343,852</b>	2,721,966
Cash and cash equivalents	19	<b>70</b>	546
		<b>6,343,922</b>	2,722,512
<b>Total assets</b>		<b>50,935,777</b>	44,817,428
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Called up issued share capital	11	<b>2,329,373</b>	2,329,373
Profit and loss account	12	<b>32,160,456</b>	30,254,399
<b>Total equity</b>		<b>34,489,829</b>	32,583,772
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	<b>10,173,359</b>	6,604,389
Deferred taxation	14	<b>4,459,186</b>	4,209,492
		<b>14,632,545</b>	10,813,881
<b>Current liabilities</b>			
Borrowings	13	<b>1,431,484</b>	1,021,715
Trade and other payables	16	<b>289,115</b>	276,886
Current taxation		<b>92,804</b>	121,174
		<b>1,813,403</b>	1,419,775
<b>Total liabilities</b>		<b>16,445,948</b>	12,233,656
<b>Total equity and liabilities</b>		<b>50,935,777</b>	44,817,428

The financial statements on pages 7 to 33 were approved by the Board on 31 August 2022 and signed on its behalf by:

  
**Victor Vella**  
 Director

  
**Esther Vella**  
 Director

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Statement of changes in equity

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	Share capital Eur	Profit and loss account Eur	Total Eur
<b>At 1 April 2021</b>	2,329,373	30,254,399	32,583,772
Comprehensive income for the year	-	1,906,057	1,906,057
<b>At 31 March 2022</b>	<b>2,329,373</b>	<b>32,160,456</b>	<b>34,489,829</b>
<b>At 1 April 2020</b>	2,329,373	4,680,601	7,009,974
Comprehensive income for the year	-	25,573,798	25,573,798
<b>At 31 March 2021</b>	<b>2,329,373</b>	<b>30,254,399</b>	<b>32,583,772</b>



**MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

**Statement of cash flows**

	2022 Eur	2021 Eur
<b>Cash flows from operating activities</b>		
<b>Operating profit before tax</b>	<b>2,155,751</b>	<b>29,783,290</b>
Adjustments for:		
Interest payable and similar charges	8,215	576
Depreciation	-	98,302
Change in fair value of investment property	(2,496,939)	(29,934,000)
Impairment loss	326,103	49,362
<b>Operating (loss)/profit before working capital changes</b>	<b>(6,870)</b>	<b>(2,470)</b>
Movement in payables	12,229	70
<b>Net cash inflow/(outflow) after working capital changes</b>	<b>5,359</b>	<b>(2,400)</b>
Interest paid and similar charges	(8,215)	(576)
Taxation paid net of refunds	(28,370)	-
<b>Net cash outflow from operating activities</b>	<b>(31,226)</b>	<b>(2,976)</b>
<b>Cash flows from investing activities</b>		
Movements in balances with related company	(3,947,989)	(2,771,328)
<b>Net cash used in investing activities</b>	<b>(3,947,989)</b>	<b>(2,771,328)</b>
<b>Cash flows from financing activities</b>		
Movements in balances with related company	-	(1,458,759)
Movements in bank loans	3,978,739	4,233,583
<b>Net cash generated from financing activities</b>	<b>3,978,739</b>	<b>2,774,824</b>
<b>Net movement in cash and cash equivalents</b>	<b>(476)</b>	<b>520</b>
<b>Cash and cash equivalents at beginning of the year</b>	19 <b>546</b>	<b>26</b>
<b>Cash and cash equivalents at end of the year</b>	19 <b>70</b>	<b>546</b>

The notes on pages 11 to 33 form an integral part of these financial statements.



# **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

## **Notes to the financial statements**

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### **1. Statutory information**

Mallard Properties Limited is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C-27835.

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

### **2. Basis of preparation**

#### **2.1. Basis of accounting**

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 (IFRSs) as adopted by the EU and in compliance with the Companies Act, Cap.386, enacted in Malta.

#### **2.2. Functional and presentation currency**

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

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

## **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

### **Notes to the financial statements**

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#### **3. Significant accounting policies**

##### **3.1. Investment property**

Investment property is property held for long-term rental yields and/or for capital appreciation that is not occupied by the company. Investment property is measured initially at cost including transactions costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property, which gain or loss reflects the difference between the net disposal proceeds and the carrying amount of the investment property, is included in the statement of the comprehensive income in the period in which the property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for the subsequent accounting is the fair value at the date of the change in use. If owner-occupied property becomes an investment property that will be carried at fair value, the company accounts for such property in accordance with the requirements of IAS 16 'Property, plant and equipment' up to date of change in use and it treats any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 16.

Up to the accounting period ended on 31 March 2020, the company adopted the cost model. As on 31 March 2021 the company changed the accounting policy to revalue the investment property in accordance with the Fair Value model of IAS 40 'Investment Property' as this model results in the financial statements providing more reliable and relevant information of the entity's financial position. In view of the lack of availability of previous valuation reports of the investment property, it was impracticable to apply the change in accounting policy retrospectively and therefore, the change in accounting policy was applied prospectively in the previous year from 31 March 2021.

## **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

### **Notes to the financial statements**

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#### **3.2. Leases**

The company is a lessor.

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16. At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As the company acts as a lessor, it determines at lease inception whether a lease is a finance lease or an operating lease. To classify a lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators.

Should an arrangement contain lease and non-lease components, then the company applies IFRS 15 to allocate the consideration in the contract.

The company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company leases out its investment property. The company has classified this lease as an operating lease. The company recognises lease payments received under operating leases as income on an accrual time proportion basis. In the current situation, whereby the company has not charged rental income for the years ended 31 March 2021, 31 March 2022 and 31 March 2023 due to the effects of COVID-19 on the operations of the lessee (a related company), as further explained in note 20, this method provides more reliable and relevant information than the straight-line basis.

#### **3.3. Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets, if any, other than investment property, if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *Trade and other receivables*

Trade and other receivables are classified with current assets and are stated at their nominal value (unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method) less loss allowance. See further information below for a description of the company's impairment policies.

##### *Classification and measurement of other financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

##### *(i) Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income from financial assets measured at amortised cost is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

For purchased or originated credit-impaired financial assets, the company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

##### *(ii) Debt instruments classified as at FVTOCI*

Debt instruments classified as FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these financial assets as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these financial assets had been measured at amortised cost. All other changes in the carrying amounts of these financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

The company does not have any debt instruments classified as at FVTOCI.

##### *(iii) Equity instruments designated as at FVTOCI*

On initial recognition, the company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

The company does not have investments in equity instruments designated at FVTOCI.

##### *(iv) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The company has not designated (if any) its debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in investment income.

##### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the profit or loss as investment income ;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss as investment income. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss as investment income;
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

##### *Impairment of financial assets*

Equity instruments are not subject to impairment under IFRS 9.



## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

The company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;



## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *(ii) Definition of default*

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

##### *(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### *(iv) Write off policy*

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *(v) Measurement and recognition of expected losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 'Leases'.

## MALLARD PROPERTIES LIMITED

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### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

For a financial guarantee contract, as the company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, the debtor or any other party. If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## MALLARD PROPERTIES LIMITED

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### Notes to the financial statements

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#### 3.4. Financial instruments (continued)

##### *Financial liabilities and equity*

###### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity.

Ordinary shares and preference shares issued by the company are classified as equity instruments.

##### *Financial liabilities*

###### *Trade and other payables*

Trade and other payables are classified with current liabilities and are stated at their nominal value.

###### *Other financial liabilities*

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

###### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss account.

###### *Derecognition of financial liabilities*

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## **MALLARD PROPERTIES LIMITED**

Annual Report and Financial Statements for the year ended 31 March 2022

### **Notes to the financial statements**

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#### **3.5. Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **3.6. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits.

#### **4. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, other than those which are inherent to IFRS 9.

Critical judgements required in the application of IFRS 9 may include but are not necessarily limited to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding.
- Impairment: Assessment of whether credit risk on financial assets and other items within the impairment scope of IFRS 9 has increased significantly since initial recognition in order to determine whether 12m ECL or lifetime ECL should be recognised.
- Models and assumptions used.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 4. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key estimations required in the application of IFRS 9 may include but are not necessarily limited to the following:

- Impairment: Determining the forward looking information

##### *Significant increase in credit risk*

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

##### *Estimation uncertainties*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Calculation of loss allowance*

When measuring 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.

#### 5. Initial application of a standard and International Financial Reporting Standards in issue but not yet effective

The directors anticipate that the adoption of the other International Financial Reporting Standards, that were in issue at the date of authorisation on these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

#### 6. Rental income

Revenue from the lease of property is recognised on an accrual time proportion basis and is exclusive of all indirect taxes. There is no rental income for the years ended 31 March 2022 and 31 March 2021 as the company and the lessee (a related company) agreed that the company shall not charge rental fees for a 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. This is further explained in note 20.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 7. Profit before taxation

This is stated after charging:

	2022 Eur	2021 Eur
Depreciation on investment property	-	98,302
Audit fee	5,000	1,000

#### 8. Taxation

No current year taxation has been provided in these financial statements as no chargeable income resulted for the year ended 31 March 2021.

	2022 Eur	2021 Eur
<b>Malta current year taxation</b>		
Malta income tax	-	-
<b>Deferred taxation</b>		
Deferred tax charge (note 14)	249,694	4,209,492
<b>Total taxation</b>	<b>249,694</b>	<b>4,209,492</b>

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

	2022 Eur	2021 Eur
Profit before tax	2,155,751	29,783,290
Theoretical tax charge at the standard rate of 35%	754,513	10,424,152
<b>Tax effect on:</b>		
Disallowable expenses	119,416	52,748
Difference between 10% deferred tax on investment property and 35% on gain in fair value	(624,235)	(8,496,505)
	<b>249,694</b>	<b>1,980,395</b>



## MALLARD PROPERTIES LIMITED

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#### 9. Investment property

	Land and buildings Eur	Total Eur
<b>Fair value</b>		
At 1 April 2021	42,094,916	42,094,916
Revaluation during the year	2,496,939	2,496,939
At 31 March 2022	44,591,855	44,591,855
<b>Cost / fair value</b>		
At 1 April 2020 / 31 March 2021 (at cost)	14,043,100	14,043,100
Revaluation (change in accounting policy on 31 March 2021)	28,051,816	28,051,816
At 31 March 2021 (at fair value)	42,094,916	42,094,916
<b>Depreciation on buildings</b>		
At 1 April 2020	1,783,882	1,783,882
Charge for the year	98,302	98,302
At 31 March 2021	1,882,184	1,882,184
Revaluation (change in accounting policy on 31 March 2021)	(1,882,184)	(1,882,184)
At 31 March 2021	-	-
<b>Net book value</b>		
At 31 March 2021 (at fair value)	42,094,916	42,094,916

Up to the accounting period ended on 31 March 2020, the company adopted the cost model (under GAPSME, which is the same as under the cost model under IFRSs as adopted by the EU). As on 31 March 2021 the company changed the accounting policy to revalue the investment property in accordance with the Fair Value model of IAS 40 'Investment Property' as this model results in the financial statements providing reliable and more relevant information of the entity's financial position. In view of the lack of availability of previous valuation reports of the investment property, it was impracticable to apply the change in accounting policy retrospectively and therefore, the change in accounting policy was applied prospectively from 31 March 2021.

The difference between the carrying amount (€12,160,916) as at 31 March 2021 and the fair value of the investment property (€42,094,916), had been recognised in the statement of comprehensive income for the year ended 31 March 2021, resulting in a gain in fair value amounting to €29,934,000. The difference between the carrying amount (€42,094,916) as at 31 March 2022 and the fair value of the investment property (€44,591,855), has been recognised in the statement of comprehensive income for the year ended 31 March 2022, resulting in a gain in fair value amounting to €2,496,939.

The fair value of the investment property as at 31 March 2021 and 31 March 2022 is based on valuations by an independent architect who has recent experience in the location and category of the investment property being valued, as adjusted for the purposes of these financial statements as disclosed below:



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### Notes to the financial statements

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#### 9. Investment property (continued)

	2022 Eur	2021 Eur
Fair value as per architect's valuation as at end of year	56,938,165	51,011,305
<i>Adjustment for:</i>		
Carrying amount of PPE as at end of year (see note below)	(12,346,310)	(8,916,389)
	<u>44,591,855</u>	<u>42,094,916</u>

*Note:*

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 equipment held as at 31 March 2021 and 31 March 2022 respectively, the fair value of the investment property has been adjusted as explained above.

#### 10. Receivables

	2022 Eur	2021 Eur
Amounts owed by related company	6,719,317	2,771,328
Impairment provision on amounts owed by related company	(375,465)	(49,362)
	<u>6,343,852</u>	<u>2,721,966</u>

#### 11. Share capital

	2022 Eur	2021 Eur
<b>Authorised equity</b>		
1,000,000 Ordinary shares of Euro 2.329373 each	<u>2,329,373</u>	<u>2,329,373</u>
<b>Allotted, called up and fully paid equity</b>		
1,000,000 Ordinary shares of Euro 2.329373 each	<u>2,329,373</u>	<u>2,329,373</u>

#### 12. Profit and loss account

Included in the profit and loss account is an amount of €27,971,753 (2021: €25,724,508) which relates to the revaluation of the investment property, net of deferred taxation. This amount is unrealised and not distributable.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 13. Borrowings

	2022 Eur	2021 Eur
<b>Non-current portion</b>		
Bank loans	<u>10,173,359</u>	<u>6,604,389</u>
The above balance is further analysed as follows:		
Repayable with two and five years	5,958,804	6,442,369
Repayable after five years or more	<u>4,214,555</u>	<u>162,020</u>
	<u>10,173,359</u>	<u>6,604,389</u>

**Note:**

The Company's banking facilities are secured by general and special hypothecs over the Company's assets including the investment property and guarantees given by a related company.

Bank loans as at 31 March 2021 and 31 March 2022 bear interest at the rate of 250 and 375 basis points per annum above the 3 month EURIBOR rate. If the 3 month EURIBOR falls below 0%, the bank will apply a rate of 250 and 375 basis points over 0% which will be the 'floor' until the 3 months EURIBOR rises again above the floor rate.

The portion of the bank loan which is payable within twelve months from the end of the reporting period is classified with current liabilities. An amount of €1,431,484 (2021: €1,021,715) is due within twelve months from the year ended 31 March 2021 as disclosed in note 15.

#### 14. Deferred taxation

	2021 Eur	Movement for the year Eur	2022 Eur
<b>Arising on:</b>			
Fair valuation of investment property	<u>4,209,492</u>	<u>249,694</u>	<u>4,459,186</u>

#### 15. Borrowings

	2022 Eur	2021 Eur
<b>Falling due within one year</b>		
Bank loans	<u>1,431,484</u>	<u>1,021,715</u>

The above portion of the bank loans which is payable within twelve months from the reporting period is classified with 'Current liabilities'. Interest rates and related details pertaining to these bank loans are provided in note 13.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 16. Trade and other payables

	2022 Eur	2021 Eur
Vat payable	274,190	274,346
Accruals	14,925	2,540
	<u>289,115</u>	<u>276,886</u>

#### 17. Related party transactions

Related parties include those entities which are owned directly and indirectly by ultimately common shareholders.

During the years ended 31 March 2021 and 31 March 2022, the related company (related by way of common shareholders) made drawdowns from a bank loan facility available to the Company. The bank loan interest is borne by the related company. The related company made bank loan repayments on behalf of the Company and paid taxation and expenses on behalf of the Company. The resulting balance due from the related company as at 31 March 2022 amounts to €6,719,317 (2021: 2,771,328). An impairment provision of €326,103 (2021: €49,362) 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 2022. The impairment provision on this balance as at 31 March 2022 amounts to €375,465 (2021: €49,362).

The balance due from the said related company is unsecured, interest-free and repayable upon demand. The amount due from this related company is disclosed in note 10.

The Company did not charge rent to the related company during the years ended 31 March 2021 and 31 March 2022 due to COVID-19 as further explained in note 20.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 18. Financial instruments

##### **Fair values of financial assets and liabilities**

At 31 March 2021 and 31 March 2022 the carrying amounts of financial assets and financial liabilities classified within current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities.

##### **Financial risk management**

The exposures to risks and the way risks arise, together with the company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

##### **(a) Market risk**

###### **(i) Foreign exchange risk**

Foreign exchange risk arises from commercial transactions and assets and liabilities of the company which are denominated in a currency different to the company's functional currency (the Euro). The Group company has no currency risk since generally, all transactions are carried out in Euro and all assets and liabilities are denominated in Euro.

###### **(ii) Cash flow and fair value interest rate risk**

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. The risk is managed by the company by considering an appropriate mix between fixed and variable rate borrowings. As at the reporting date and as disclosed in note 13 the Company has only variable interest-bearing liabilities.

##### **(b) Credit Risk**

Financial assets which potentially subject the company to concentrations of credit risk consist principally of amounts due from a related company and cash at bank.

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 for a related company 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 €326,103 (2021: €49,362) 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 2022. The impairment provision against this balance as at 31 March 2022 amounts to €375,465 (2021: €49,362). The directors assess the recoverability of this receivable on an ongoing basis.

Cash at bank is placed with reliable financial institutions. As a result credit risk is assessed to be low.

##### **(c) Liquidity Risk**

The company is exposed to liquidity risks in relation to meeting future obligations associated with its financial liabilities, which comprise principally of interest-bearing borrowings and other payables.

## MALLARD PROPERTIES LIMITED

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### Notes to the financial statements

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#### 18. Financial instruments (continued)

The company monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments associated with financial instruments and by maintaining adequate banking facilities.

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

	2021 Eur	Cash flows for the year Eur	Non cash changes Eur	2022 Eur
Bank loans	7,626,104	3,978,739	-	11,604,843
	2020 Eur	Cash flows for the year Eur	Non cash changes Eur	2021 Eur
Bank loans	3,392,521	4,233,583	-	7,626,104
Amounts owed to related party	1,444,574	(1,458,759)	14,185	-
	4,837,095	2,774,824	14,185	7,626,104

#### (d) Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise return to stakeholders through the optimisation of debt and equity balance.

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The capital structure of the company consists of items presented within equity in the statement of financial position. The company's directors manage the company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

#### 19. Cash and cash equivalents

	2022 Eur	2021 Eur
Cash at bank	70	546

## **MALLARD PROPERTIES LIMITED**

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### **Notes to the financial statements**

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#### **20. Significant events and events after the end of the reporting period**

##### **COVID-19**

As a result of the outbreak of the COVID-19 coronavirus, on 30 January 2020, the World Health Organization (WHO) declared a "Public Health Emergency of International Concern". On 11 March 2020, the WHO declared the COVID-19 as a "pandemic". Since then, COVID-19 has spread across a significant number of countries causing disruption to businesses and economic activity, especially to the tourism industry due to travel bans/restrictions and similar measures.

Due to COVID-19, the lessee (a related company) of the company, which lessee operates the hotel, was required to close the hotel for several months commencing in March 2020. Consequently, the company and the lessee agreed that the company shall not charge rental fees for a 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.

Owing to the company's and related company's financial position, liquidity, access to credit, cost control and the government financial assistance including the COVID-19 wage supplement and deferral tax payment scheme, the company and related company managed to weather the storm of COVID-19 and the directors are now very positive of the Group's future. As a result of world-wide successful vaccination programmes, the situation has improved drastically over the last several months and tourism levels are getting closer to pre COVID-19 levels, as a result of which recent results of the related company are encouraging. The directors are confident that the related company's operations will continue to recover. It has been agreed by the company and the related company that the company shall recommence charging rental income for the period commencing 1 April 2023 and thereafter.

##### **War in Ukraine**

The beginning of 2022 seemed optimistic with the year expected to herald a turnaround for the travel industry, previously hit hard by the global coronavirus pandemic. However, Russia's invasion of Ukraine has added pressure to an already challenging economic environment and heavily affected travel demand to certain destinations. The sanctions imposed on Russia in connection with the invasion of Ukraine have left many EU member states affected in several areas, such as supply, rising energy and fuel prices, and inflation.

Notwithstanding the above a study by the European Commission has shown that Portugal and Malta are the countries least affected by the war in Ukraine in terms of economic impact due to the imposed sanctions.

As with other sectors the impact of the war on Malta's tourism industry is minimal. Malta, like Portugal, is mostly visited by British citizens, followed by Italians, Germans, and French. Russian and Ukraine markets are not particularly significant to the industry, in fact this summer Malta tourist sector has continued to recover reaching almost 75% of tourist levels of 2019 - the best year for the Tourism sector in Malta.

## MALLARD PROPERTIES LIMITED

Annual Report and Financial Statements for the year ended 31 March 2022

### Notes to the financial statements

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#### 20. Significant events and events after the end of the reporting period (continued)

##### *Ongoing projects and future plans*

In order to strengthen its competitive position, the directors embarked on a major extension and upgrade of the hotel. The project involves:

- Increasing hotel room-stock with 177 new rooms, of which 45 have already been completed and 132 are in shell form.
- New façade and change of apertures
- Upgrade of existing rooms and public area
- Additional 4 restaurants - Asian, South American, Caribbean and fine-dining
- Conference hall and banqueting facilities
- Luxury jacuzzi suites
- Roof-top infinity pool, bar and decking for approximately 300 pax
- Irish Pub
- Gym & Spa
- Squash Court

Once completed, the hotel will be in a position to compete with the top performing 4-star hotels in the north of the island, which historically performed substantially better than Qawra Palace Hotel.

The Group is seeking to (i) aggregate and re-schedule existing BOV debt over a longer term and (ii) raise new financing for the upgrade and extension of the hotel. The group's total funding requirement for the above project is of €40m, and will be structured as follows:

- Mallard Properties Limited to issue a bond on the Malta Stock Exchange of €25m to fully settle the outstanding loans with BOV and to continue to finance on-going works.
  - Related company Mallard Co. Limited (the company which operates the hotel) will secure a €15m bank loan to fully finance the remaining cost of the project.
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## MALLARD PROPERTIES LIMITED

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### Administrative and financial costs

### Schedule I

	2022 Eur	2021 Eur
<b>Administrative expenses</b>		
Audit fee	5,000	1,000
Depreciation on buildings	-	98,302
Fines and penalties	200	-
Legal and professional fees	470	270
Registration fees	1,200	1,200
	<u>6,870</u>	<u>100,772</u>
<b>Financial costs</b>		
Bank charges	430	576
Other interest	7,785	-
	<u>8,215</u>	<u>576</u>