Company Registration Number: C 85298

KATARI HOLDINGS 2 LIMITED
(previously known as KATARI PHARMA LIMITED)
Annual Report and Financial Statements

31 December 2022

Contents

Director's Report

The director presents his annual report and the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

The company's principal activity is to hold investment property in Malta.

Review of the business

The Company acquired a property during the current year through a leasehold agreement which is currently being constructed in an old people's home.

The Company did not generate any income during the year ended 31 December 2022. The Company's financial position remain as expected, and the director expects that the present level of activity will be improved in the foreseeable future.

Results and dividends

The statement of profit or loss and other comprehensive income is set out on page 4. The director does not recommend the payment of a dividend.

Post balance sheet events

There were no adjusting or other significant non-adjusting events between the end of the reporting year and the date of authorisation by the Director.

Director

The director of the Company who held office during the year ended 31 December 2022 and as at the date of this report is:

- Paul Attard

In accordance with the Company's Articles of Association, the present director shall remain in office.

Director's Report – continued

Statement of director's responsibilities

The Director is required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss for that year.

In preparing the financial statements, the Director is responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgments and estimates;

- the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;

- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Director is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act, 1995. This responsibility includes designing, implementing, and maintaining such internal controls, as the Director determines the necessary procedures to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. He is 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 reporting framework

The Director has resolved to prepare the Company's financial statements for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union.

Director's Report – continued

Principal Risks and Uncertainties

The Director considers the nature and extent of the risk management framework and risk profile that is acceptable to him. The Director regularly reviews the work carried out and ensures that any weaknesses identified are remedied so as not to pose a risk to the Company.

The Company has established strategic relationships with key suppliers. These relationships support the Company's products and services offered and sales activities in general. There is no guarantee that the Company will be able to maintain these alliances, enter into further alliances or that existing suppliers will not enter into relationships with the Company's competitors. The loss of any of these relationships could have a material adverse effect on the Company's business, results of operations and financial condition.

Auditor

The auditor, Paul Mifsud, has intimated his willingness to continue in office and a resolution to reappoint him as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Registered address:

The registered office of the Company is GAP HEAD OFFICE, CENSU SCERRI STREET, SLIEMA, SLM 3060, MALTA

Approved by the sole Director

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Paul Attard
Director

7 September 2023

Statement of Profit or Loss and Other Comprehensive Income

	Notes	**2022**	2021
		€	€
Administrative expenses	2	**(5,337)**	(1,492)
Loss before income tax		**(5,337)**	(1,492)
Income tax	3	**-**	-
Total comprehensive loss for the financial year		**(5,337)**	(1,492)

The accounting policies and explanatory notes on pages 8 to 28 form an integral part of the financial statements.

Statement of Financial Position

	Notes	As at 31 December 2022 €	2021 €
ASSETS			
Non-current assets			
Right-of-use assets	4	**7,088,926**	-
Investment properties	5	**566,885**	-
		7,655,811	-
Current assets			
Trade and other receivables	6	**93,560**	-
Cash and cash equivalents	11	**3,890**	1,200
		97,450	1,200
Total assets		**7,753,261**	1,200
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	7	**400,000**	1,200
Retained earnings	8	**(9,649)**	(4,312)
Total equity		**390,351**	(3,112)
Non-current liabilities			
Lease Liability	12	**7,305,945**	-
		7,305,945	-
Current liabilities			
Lease liability	12	**50,000**	-
Trade and other payables	9	**6,965**	4,312
		56,965	4,312
Total liabilities		**7,362,910**	4,312
Total equity and liabilities		**7,753,261**	1,200

The accountancy policies and explanatory notes on pages 8 to 28 form an integral part of the financial statements.

The financial statements on pages 4 to 28 were approved and authorised for issue by the *sole Director* on 7 September 2023:

Paul Attard
Director

Statement of Changes in Equity

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2021		1,200	(2,820)	(1,620)
Total comprehensive loss for the financial year		-	(1,492)	(1,492)
Balance at 31 December 2021		**1,200**	**(4,312)**	**(3,112)**
Balance at 1 January 2022		1,200	(4,312)	(3,112)
Total comprehensive loss for the financial year		-	(5,337)	(5,337)
Issue of share capital		398,800	-	398,800
Balance at 31 December 2022		**400,000**	**(9,649)**	**390,351**

Statement of Cash Flows

	Notes	2022 €	2021 €
Operating activities			
Cash used in operating activities	10	**(5,332)**	(1,147)
Net cash used in operating activities		**(5,332)**	(1,147)
Investing activities			
Purchase of investment properties	5	**(299,866)**	-
Net cash used in investing activities		**(299,866)**	-
Financing activities			
Movement in amounts due to shareholder	9	**395,583**	-
Net movement in amount due (from)/to related parties		**(87,695)**	1,147
Net cash generated from financing activities		**307,888**	1,147
Movement in cash and cash equivalents		**2,690**	-
Cash and cash equivalents at beginning of year		**1,200**	1,200
Cash and cash equivalents at end of year	11	**3,890**	1,200

The accountancy policies and explanatory notes on pages 8 to 28 form an integral part of the financial statements.

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Companies Act (Cap.386). The financial statements have also been prepared in accordance with IFRS Standards adopted by the European Union.

The financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company's most recent previous financial statements for the period ended 31 December 2021, were prepared in accordance with GAPSME.

i. Use of estimates and judgements

In preparing the financial statements, the director is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known. Except for the below, in the opinion of the Director, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

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

Fair value of investment properties

The Company uses the services of professional valuers to revalue the investment properties. The professional valuers take into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

1. **Accounting policies** – continued

a. **Basis of preparation** – continued

i. **Use of estimates and judgements** – continued

- A use that is physically possible, takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).

- A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property).

- A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

The Company uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of investment properties. This Note also provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

However, in the opinion of the Director, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

ii. **New and amended IFRS Standards that are effective for the current year**

In 2022, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatory for the Company's accounting year beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies impacting the financial performance and position.

Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before intended use*	The Company has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating tin the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost

1. Accounting policies – continued

a. Basis of preparation – continued

ii. New and amended IFRS Standards that are effective for the current year – continued

included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Company has adopted the amendments included in the *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle* for the first time in the current year. The Annual Improvements include amendments to four standards **IFRS 9 *Financial Instruments*** The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. **IFRS 16 *Leases*** The amendment removes the illustration of the reimbursement of leasehold improvements.

iii. New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective had not yet been adopted by the EU:

IFRS 17 (including the June 2020 amendments to IFRS 17)	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current and Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Director does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future years.

1. **Accounting policies** – continued

b. **Leases**

(a) The Company as lessee

The Company assesses whether a contract is, or contains, a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

1. **Accounting policies** – continued

b. **Leases** – continued

(a) The Company as lessee – continued

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or nuclease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1. Accounting policies – continued

c. Foreign currencies

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Euro is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency (Euro) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

d. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties are recognized as an asset when it is probable that the future economic benefits that are associated with the investment properties will flow to the entity and the cost can be measured reliably.

Investment properties are initially measured at cost, including transaction costs, less impairment losses. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit and loss in the period in which they arise, including the corresponding tax effect. Fair values are determined by a professionally qualified architect on the basis of market values.

Investment properties are derecognized either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment properties is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to or from investment properties only when there is a change in use. For transfers from inventory to investment properties at fair value, any difference between the fair value at the date of the transfer and its previous carrying amount should be recognised in profit or loss. For transfers from investment property carried at fair value to inventory the fair value at the change of use is the 'cost' of the property under its new classification.

1. Accounting policies – continued

e. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

f. Fair value measurement

The Company measures non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

1. Accounting policies – continued

f. Fair value measurement - continued

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

g. 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, except for trade receivables that do not have a significant financing component which are measured at transaction price. 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.

1. Accounting policies – continued

g. Financial instruments - continued

i) Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition either at amortised cost, fair value through other comprehensive income ("OCI") or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value.

Trade and other receivables and contract assets that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
d) Financial assets at fair value through profit or loss

The Company does not hold any financial assets at fair value through OCI, financial assets designated at fair value through OCI and financial assets at fair value through profit or loss.

1. **Accounting policies** – continued

g. **Financial instruments** - continued

i) **Financial assets** - continued

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost are trade and other receivables and contract assets which are expected to be received within 1 year from year end.

(c) Derecognition

A financial asset is primarily derecognised when:

a) The rights to receive cash flows from the asset have expired; or
b) The Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(c) *Impairment*

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximate of the original effective interest rate. The expected cash flows will include cash flows from the sale of a collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

1. **Accounting policies** – continued

g. **Financial instruments** - continued

i) **Financial assets** - continued

The Company considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

ii) **Financial liabilities and equity**

a) 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.

b) 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. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

1. **Accounting policies** – continued

g. **Financial instruments** – continued

ii) **Financial liabilities and equity** – continued

c) Financial liabilities – continued

- It has been acquired principally for the purpose of repurchasing it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

h. **Cash and cash equivalents**

Cash and cash equivalents are carried in statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

1. Accounting policies – continued

i. Current and deferred taxation

The tax expense for the year comprises current and deferred taxation.

Taxation is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity, respectively.

Current tax is based on the taxable result for the year. The taxable result for the year differs from the results as reported in profit or loss because it excludes items which hare non-assessable or disallowed and it further excludes items that are taxable or deductible in other years. Current tax also includes any tax arising from dividends. It is calculated using the tax rates that have enacted or substantively enacted by the end of the reporting year, and any adjustments in relation to the prior years.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

j. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k. Share capital and dividends

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1. **Accounting policies** – continued

l. Related parties

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

2. Loss of the year

Loss for the year has been arrived after charging:

	2022	2021
	€	€
Auditor's remuneration	**1,000**	600
Other expenses	**4,337**	892
Total administrative expenses	**5,337**	1,492

Auditor's fees

Fees charged by the auditor for the services rendered during the financial years ended 31 December 2022 and 2021 relate to the following:

	2022	2021
	€	€
Audit fee	**1,000**	600
Other non-audit services	**600**	150
	1,600	750

3. Income tax

No provision for Malta income tax has been made in these financial statements in view of the tax losses incurred by the Company.

3. **Income tax** - continued

The tax expense and the result of accounting loss multiplied by the statutory domestic income tax rate is reconciled as follows:

	2022	2021
	€	€
Loss before tax	**(5,337)**	(1,492)
Tax on accounting profit at 35% thereon	**(1,868)**	(522)
Tax effect of:		
Non-allowable expenses	**1,868**	522
	-	-

4. **Right-of-use assets**

	Property
	€
Cost	
At 1 January 2022	-
Additions	7,169,178
At 31 December 2022	**7,169,178**
Accumulated depreciation	
At 1 January 2022	-
Depreciation charge	80,252
At 31 December 2022	**80,252**
Carrying amount	
At 31 December 2021	**-**
At 31 December 2022	**7,088,926**

The Company leases property. The average lease term is 67 years (2021: n/a)

No amounts have been recognised in profit and loss

5. Investment properties

	2022	2021
	€	€
Movements for the year ended 31 December		
Opening net book amount	-	-
Additions	**566,885**	-
Closing net book amount	**566,885**	-
At 31 December		
Cost	**566,885**	-
Net book amount	**566,885**	-

6. Trade and other receivables

	2022	2021
	€	€
Current		
Amounts due from related parties (Note i)	**93,110**	-
Other receivables	**450**	-
	93,560	-

Notes:

i. Amounts due from related parties are unsecured, interest free and are repayable on demand.

7. Share capital

	2022	2021
	€	€
Authorised		
400,000 (2021:1,200) Ordinary Shares of €1 each	**400,000**	1,200
Issued and fully paid up:		
400,000 (2021:1,200) Ordinary Shares of €1 each	**400,000**	1,200

8. Retained earnings

The Company's retained earnings represent accumulated profits and losses since incorporation date.

9. Trade and other payables

	2022 €	2021 €
Current		
Amounts due to related parties (Note)	**5,415**	-
Amounts due to shareholder (Note)	**-**	3,217
Accruals	**1,550**	1,095
	6,965	4,312

Note:
Amounts due to related parties and shareholder are unsecured, interest free and are repayable on demand.

10. Cash used in operations

Reconciliation of operating loss to cash used in operations:

	2022 €	2021 €
Operating loss	**(5,337)**	(1,492)
Changes in working capital:		
Trade and other receivables	**(450)**	-
Trade and other payables	**455**	345
Cash used in operations	**(5,332)**	(1,147)

The Company's principal non-cash transaction during the year ended 31 December 2022, related to the increase in share capital which amounted to €398,800.

11. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents at the end of the year comprise the following:

	2022 €	2021 €
Cash at bank	**3,890**	1,200
Balance at 31 December	**3,890**	1,200

12. Lease Liability

Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments			
	Not later than 1 year	**Later than 1 year but not later than 5 years**	**Later than 5 years**	**Total**
	€	**€**	**€**	**€**
	2023	**2024 – 2027**	**2028 +**	
31 December 2022				
Lease payments	**50,000**	**560,316**	30,190,377	30,800,693
Finance charge	**(294,238)**	**(1,257,852)**	(21,892,658)	(23,444,748)
Net present values	**(244,238)**	**(697,536)**	8,297,719	7,355,945

13. Related party transactions

Year end balances due from or to related parties and shareholder are disclosed in notes 6 and 9 to these financial statements.

The following transactions were carried out with related parties:

	2022	2021
	€	€
Amount due to shareholder		
Beginning of the year	**(3,217)**	(2,070)
Advances during the year	**-**	(1,147)
Payments during the year	**3,217**	-
	-	(3,217)

	2022	2021
	€	€
Amount due (to)/from related parties		
Beginning of the year	**-**	-
Advances during the year	**(5,415)**	-
Payments during the year	**93,110**	-
	87,695	-

14. Financial risk management

Overview

The Company has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Director. Accordingly, it is the Director who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables and cash and cash equivalents held at banks. The carrying amounts of financial assets represent the maximum credit exposure.

The Company assesses the credit quality of its customers by taking into account their financial standing, past experience, any payments made post reporting date and other factors, such as bank references and the customers' financial position.

Management is responsible for the quality of the Company's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality.

The Company's policy is to deal only with credit worthy counterparties. The credit terms are generally 90 days. The Company regularly review the ageing analysis together with the credit limits per customer.

Impairment of Trade and other receivables and contract assets

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. Management considers the probability of default from such trade and other receivables to be not material. In view of this, the amount calculated using the 12-month expected credit loss model is considered to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the Company.

Cash and cash equivalents

The cash and cash equivalents held with banks as at 31 December 2022 and 2021 are callable on demand and held with local financial institutions with high quality standing or rating. Management considers the probability of default from such banks to be insignificant. Therefore, based on the above, no loss allowance has been recognised by the Company.

14. Financial risk management – continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Company ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

The table below analyses the Company's financial liabilities into relevant maturity grouping based on the remaining period at the end of the reporting period to the contractual maturity date. Trade and other payables are all repayable within one year.

As at 31 December 2022	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €	Carrying amount €
Trade and other payables	6,965	-	-	-	6,965	6,965

As at 31 December 2021	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €	Carrying amount €
Trade and other payables	4,312	-	-	-	4,312	4,312

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the fair value or future cash flows of a financial instrument. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The operating cash flows of the Company are influenced by changes in market interest rates. Up to the statement of financial position date, the Company did not have any hedging arrangements with respect to the exposure of floating interest rate risk. The Company is not exposed to foreign exchange risk since all operations are conducted locally in the Company's functional currency.

Capital management

It is the policy of the Director to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Company to continue as a going concern. In this respect, the Director monitor the operations and results of the Company, and also monitor the level of dividends, if any, payable to the ordinary shareholders. The Company are not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

14. Financial risk management – continued

Fair values

At 31 December 2022 and 2021 the carrying amounts of cash at bank, receivables, contract assets, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value. The fair values of loans are not materially different from their carrying amounts.

15. Post balance sheet events

There were no adjusting or significant non-adjusting events that have occurred between the end of the reporting year and at the date of authorisation by the Director.

16. Statutory information

KATARI HOLDINGS 2 LIMITED is a limited liability company and is registered in Malta.

The ultimate controlling party of the Company is Mr Paul Attard who resides in Malta.

17. Comparative information

Certain comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

PM
PAUL MIFSUD
CERTIFIED PUBLIC ACCOUNTANT

Paul J Mifsud
B.A. (Hons.) Accty., MIA, Dip. Tax, CPA

4, Triq L-Isqof Pace, Mellieha MLH 1067 Malta
T +356 2152 2666 F +356 2152 2666
M +356 9948 8273 E paul@mifsudcpa.eu
W www.paulmifsud.com

MT 18212314

Independent Auditor's Report

To the Members of KATARI HOLDINGS 2 LIMITED.

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of KATARI HOLDINGS 2 LIMITED (the "Company"), set out on pages 4 to 28, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of my report. I am 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 my 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 I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The director is responsible for the other information. The other information comprises the director's report. My opinion on the financial statements does not cover this information, including the director's report. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Director's Report, we also considered whether the Director's Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work I have performed, in my opinion:

- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with the Maltese Companies Act (Cap.386).

PM
PAUL MIFSUD
CERTIFIED PUBLIC ACCOUNTANT

Paul J Mifsud
B.A. (Hons.) Accty., MIA, Dip. Tax, CPA

4, Triq L-Isqof Pace, Mellieha MLH 1067 Malta
T +356 2152 2666 F +356 2152 2666
M +356 9948 8273 E paul@mifsudcpa.eu
W www.paulmifsud.com

Independent Auditor's Report – continued

Other Information – continued

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, I am required to report if I have identified material misstatements in the director's report. I have nothing to report in this regard.

Responsibilities of the Director

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRSs, and for such internal control as the Director determines 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 director is 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 Director 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

My 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. Ie 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.

PM
PAUL MIFSUD
CERTIFIED PUBLIC ACCOUNTANT

Paul J Mifsud
B.A. (Hons.) Accty., MIA, Dip. Tax, CPA

4, Triq L-Isqof Pace, Mellieha MLH 1067 Malta
T +356 2152 2666 F +356 2152 2666
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W www.paulmifsud.com

Independent Auditor's Report – continued

Auditor's Responsibilities for the Audit of the financial statements – continued

- Conclude on the appropriateness of the Director's 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the company audit. I remain solely responsible for my audit opinion.

I communicate with the Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) I am required to report to you if, in my opinion:

- I have not received all the information and explanations I require for my audit.
- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches not visited by me.
- The financial statements are not in agreement with the accounting records and returns.

I have nothing to report to you in respect of these responsibilities

PM
PAUL MIFSUD
CERTIFIED PUBLIC ACCOUNTANT

Paul J Mifsud
B.A. (Hons.) Accty., MIA, Dip. Tax, CPA

4, Triq L-Isqof Pace, Mellieha MLH 1067 Malta
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MT 18212314

Independent Auditor's Report – continued

Other matter – use of this report

My report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. I do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior written consent.

Paul Mifsud
Certified Public Accountant
14, Triq l-Isqof Pace,
Mellieħa MLĦ 1067
Malta

7 September 2023

Detailed Results

Contents	Pages

Income Statement

	2022 €	2021 €
Administrative expenses (page 35)	**(5,337)**	(1,492)
Loss before income tax	**(5,337)**	(1,492)

Administrative expenses

	2022	2021
	€	€
Auditor's remuneration	**1,000**	600
Bank charges	**160**	-
General expenses	**295**	-
Professional and legal fees	**2,562**	807
Registry fees	**1,320**	85
Total administrative expenses (page 34)	**5,337**	1,492