



# Interim Financial Report (unaudited)

For the period 1 January to 30 June 2020

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## **Interim directors' report**

The directors present their interim report and the unaudited financial statements for the period 1 January to 30 June 2020.

This interim report has been drawn up according to IAS 34 "Interim Financial Reporting Standards" and in terms of Rule 4.11.12 of the Malta Stock Exchange Prospects rules.

### **Principal activities**

The company's principal activity is to raise finance for its parent company whose business is to rent its investment property to third parties.

### **Review of business**

During the period under review, a total amount of €4,872,963 (2019: €3,594,524) was loaned to the parent company, K.A. Holdings Limited to finance the acquisition of an excavated site at Triq il-Palazz l-Ahmar, Mriehel for the construction and development of commercial office space Centris II, and also for the construction and development of a site in Swieqi for rental purposes. By the end of the financial period under review, construction on both the Mriehel and Swieqi sites was completed and both projects had advanced to finishing and furnishing stage.

Interest and other expenses incurred during the period were recharged to the parent company under contractual arrangements between the parties.

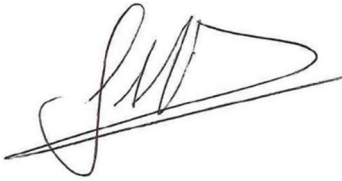
### **Results**

The profit for the period amounted to € 162 (Apr-Jun 2019: € 239). The Directors do not recommend the distribution of a dividend and propose to transfer the profit for the period to reserves.

### **Directors**

The following have served as directors of the company during the period under review:

Mr John Soler	Independent Non-Executive Chairman
Mr Etienne Borg Cardona	Independent Non-Executive Director
Mr Kurt Abela	Executive Director



**John Soler**  
Director

Registered address:  
Project Technik  
Cannon Road  
Qormi QRM 9032  
Malta



**Etienne Borg Cardona**  
Director



**Kurt Abela**  
Director

26 August 2020

## Condensed statement of comprehensive income

	1 January to 30 June 2020	22 April to 30 June 2019
	€	
Recharged interest	141,721	-
Other income	37,698	12,402
Administrative expenses	(29,751)	(12,035)
<b>Operating profit</b>	<b>149,668</b>	<b>367</b>
Amortisation of bond issue costs	(7,698)	-
Finance costs	(141,721)	-
<b>Profit before tax</b>	<b>249</b>	<b>367</b>
Tax expense	(87)	(128)
<b>Profit for the period</b>	<b>162</b>	<b>239</b>
<b>Earnings per share</b>	<b>0.003</b>	<b>0.005</b>

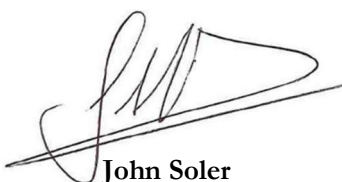
## Condensed statement of financial position

	30 June 2020 €	31 December 2019 €
<b>Assets</b>		
<b>Non-current</b>		
Trade and other receivables	4,872,963	3,594,524
	<b>4,872,963</b>	<b>3,594,524</b>
<b>Current</b>		
Trade and other receivables	335,863	147,293
Cash and cash equivalents	981,638	2,289,093
	<b>1,317,501</b>	<b>2,436,386</b>
<b>Total assets</b>	<b>6,190,464</b>	<b>6,030,910</b>

## Condensed statement of financial position – continued

	30 June 2020	31 December 2019
	€	€
<b>Equity</b>		
Share capital	50,000	50,000
Retained earnings	2,294	2,132
<b>Total equity</b>	<b>52,294</b>	<b>52,132</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	5,859,518	5,851,820
	<b>5,859,518</b>	<b>5,851,820</b>
<b>Current</b>		
Borrowings	244,009	102,288
Trade and other payables	32,993	23,107
Current tax liability	1,650	1,563
	<b>278,652</b>	<b>126,958</b>
<b>Total liabilities</b>	<b>6,138,170</b>	<b>5,978,778</b>
<b>Total equity and liabilities</b>	<b>6,190,464</b>	<b>6,030,910</b>

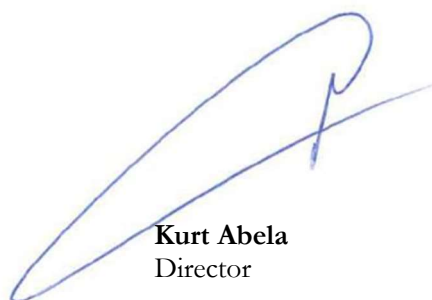
The condensed interim financial statements on pages 4 to 11 were approved, authorised for issue and signed by the directors on 26 August 2020.



**John Soler**  
Director



**Etienne Borg Cardona**  
Director



**Kurt Abela**  
Director

## Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
Issue of shares upon incorporation	50,000	-	50,000
Profit for the period 22 April to 30 June	-	239	239
<b>At 30 June 2019 (unaudited)</b>	<b>50,000</b>	<b>239</b>	<b>50,239</b>
Balance at 1 January 2020	50,000	2,132	52,132
Profit for the period 1 January to 30 June	-	162	162
<b>At 30 June 2020 (unaudited)</b>	<b>50,000</b>	<b>2,294</b>	<b>52,294</b>



## Statement of cash flows

	1 January to 30 June 2020	22 April to 30 June 2019
	€	€
<b>Operating activities</b>		
Profit before tax	249	367
Adjustments	149,419	-
Net changes in working capital	(178,684)	(6,137)
<b>Net cash used in operating activities</b>	<b>(29,016)</b>	<b>(5,770)</b>
<b>Investing activity</b>		
Net advances (to)/from related party	(1,278,439)	5,770
<b>Net cash (used in)/generated from investing activity</b>	<b>(1,278,439)</b>	<b>5,770</b>
<b>Financing activities</b>		
Issue of shares upon incorporation	-	50,000
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>50,000</b>
Net change in cash and cash equivalents	(1,307,455)	50,000
Cash and cash equivalents, beginning of period	2,289,093	-
<b>Cash and cash equivalents, end of period</b>	<b>981,638</b>	<b>50,000</b>

## **Notes to the condensed interim financial statements**

### **1 Nature of operations**

The company's principal activity is to raise finance for its parent company whose business is to rent its investment property to third parties.

The company was incorporated on 22 April 2019.

### **2 General information and statement of compliance with IFRS**

KA Finance plc (the 'company'), a public limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office is 'Project Technik', Cannon Road, Qormi, QRM9032, Malta.

The condensed interim financial statements for the half year ended 30 June 2020 have been extracted from the unaudited management accounts of the company and have been prepared in accordance with International Financial Reporting Standard 34 – Interim Financial Reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386.

The financial statements are presented in Euro (€), which is also the functional currency of the company.

### **3 Accounting policies**

The accounting policies applied in these interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements.

### **4 Financial risk management**

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the period ended 31 December 2019.

### **5 Critical accounting estimates and judgements**

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in these condensed financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any 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 six month period.

## 6 Borrowings

	<b>30 June 2020</b>	<b>31 December 2019</b>
	€	€
<b>MTF Prospects: 60,000 4.75% Secured Callable Bonds 2026-2029</b>		
Amounts falling due within one year	244,009	102,288
Amounts due after more than one year	5,859,518	5,851,820
<b>Total borrowings</b>	<b>6,103,527</b>	<b>5,954,108</b>

By virtue of Company Admission Document dated 24 July 2019, the company has issued €6,000,000 4.75% Secured Callable Bonds of nominal value of €100 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 22 August 2029 with early redemption from 23 August 2026 at the option of the company.

The bonds have been admitted on Prospects MTF, a multilateral trading facility operated by the Malta Stock Exchange, on 28 August 2019 with trading in the bonds commencing on 30 August 2019. The carrying amount of the bonds is €6,103,527 (2019: €5,954,108). The market value of the debt securities on the last day before the reporting date was €5,999,400 (Dec 2019: €6,132,000).

Interest is payable on 23 August of each year at the rate of 4.75% per annum, payable annually in arrears on each interest payment date.

Transaction costs of €153,696 directly related to the bond issue are being amortised over the life of the bond.

Net proceeds from the bond issue amounting to €4,872,963 (2019: €3,594,524) were advanced to the parent company as at period-end and form part of trade and other receivables. This bond is secured by a special hypothec on Centris II, Triq il-Palazz l-Ahmar, Mriehel.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest methods as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	€	€
<b>4.75% Secured Callable Bonds 2026-2029</b>		
Original face value of bonds issued	6,000,000	6,000,000
Gross amount of bond issue costs	(153,696)	(153,696)
<b>Net proceeds from issuance</b>	<b>5,846,304</b>	<b>5,846,304</b>
<b>Amortisation of bond issue costs</b>		
Opening balance of amortised bond issue costs	5,516	-
Amortisation charge for the period	7,698	5,516
<b>Accumulated amortisation at end of period</b>	<b>13,214</b>	<b>5,516</b>
Unamortised bond issue costs	(140,482)	(148,180)
<b>Interest accrued as at end of financial period</b>	<b>244,009</b>	<b>102,288</b>
<b>Amortised cost and carrying amount</b>	<b>6,103,527</b>	<b>5,954,108</b>

## **7 Related party transactions**

The company's related parties include its parent company, key management personnel and other related companies.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost-plus basis. Outstanding balances are usually settled in cash. Amounts due from parent company are shown separately in note 8.

### **7.1 Transactions with parent company**

	<b>1 January to 30 June 2020</b>	<b>22 April to 30 June 2019</b>
	<b>€</b>	<b>€</b>
Amounts advanced to parent company	1,278,439	3,664,474
Interest recharged to parent company	141,721	102,288
Management fees charged to parent company	30,000	45,000
Expenses recharged to parent company	7,698	5,516
Expenses paid by parent company	-	75,466

### **7.2 Transactions with key management personnel**

The company's key management personnel are considered to be the directors. Transactions with key management personnel consist of their remuneration.

## **8 Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments has been identified as the board of directors, responsible for making strategic decisions. The Board of Directors considers the company to be made up of one segment, that is, raising financial resources from capital markets to finance the capital projects of the group. All of the company's revenue and expenses are generated in Malta and revenue is mainly earned from interest earned from inter-company loans and recharging of expenses.

## **9 Capital management policies and procedures**

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing products and services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital.

The company monitors the level of debt, which includes bank loans and trade and other payables less cash and bank balances against total capital on an ongoing basis. The directors consider the company's gearing level at year end to be appropriate for its business.

## **10 Post-reporting date events**

No adjusting or other significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation.