



Report & Financial Statements

31 December 2020

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Directors' report

The Directors of KA Finance plc (the "Company") present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The Company's principal activity is to raise finance for K.A. Holdings Limited (the "Guarantor" and the "parent company") whose business is to rent its investment property to third parties.

Review of business

In 2019, the Company raised funding on the MTF Prospects market by means of an issue of €6,000,000 4.75% Secured Callable Bonds due between 2026 and 2029. In accordance with its Company Admission Document, the funds raised through this Bond Issue have been advanced to the Guarantor, to finance its projects.

By the end of the year under review, a total amount of €5,660,609 (2019: €3,594,524) was advanced to K.A. Holdings Limited, which have been used to acquire the excavated site at Triq il-Palazz l-Ahmar, Central Business District, Mriehel for the construction and development of an office block Centris II, and also for the construction and development of another site in Swieqi. Construction on both the Mriehel and Swieqi projects was completed during the year under review, while the finishing stage on both properties is well underway.

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

Results

The profit for the year amounted to € 915 (2019: € 2,132). The Directors do not recommend the distribution of a dividend and propose to transfer the profit for the year to reserves.

Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in note 16 to these financial statements.

Effects of the COVID-19 pandemic

The board of directors recognises that the Company's Guarantor is subject to the normal business risks associated with the industry in which it operates. However, due to unforeseen circumstances in connection with the COVID-19 pandemic outbreak, a period of uncertainty is expected which could lead to a material adverse effect on the development projects of the Guarantor and its business, at least with respect to the current financial year. The board of directors continually monitors the operation of the Guarantor, and is satisfied that the Guarantor is expected to generate sufficient revenues to meet its payment obligations to the Company, such that the Company continues to meet its obligations with its bondholders.

Events after the end of the reporting period

There have been no events subsequent to year-end which require adjustment of, or disclosure in, the financial statements or notes thereto.

Future developments

The Directors intend to continue to operate in line with the current business plan.

Directors

The following have served as directors of the Company during the year under review:

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

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

Disclosure of information to the auditor

At the date of making this report the directors confirm the following:

- As far as the directors are aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- the directors have taken all steps that he ought to have taken as directors in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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 business;
- select suitable accounting policies and then 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; and
- 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 have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operating existence for the foreseeable future. For this reason, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Principal risks and uncertainties associated with the Company

The Company's main objective is that of a finance company. Given that the Company does not carry out any trading activities, it is economically dependent on the business prospects of KA Holdings Limited ('the parent'). The Company is dependent on the receipt of income from its parent in relation to the Bond proceeds which it has advanced in the form of a loan. The parent, which holds and rents out investment properties to a range of tenants, receives income from such rentals which enables it to repay the loan due to the Company.

In this respect, the parent's interest is to continue to manage the properties in order to ensure optimal utilisation thereof and achieve positive and sustainable financial results. The Directors continue to closely monitor the impact of events and the ability of the parent to honour its financial commitments. In this regard, the Directors are of the view that the amount receivable from the parent by the Company is recoverable.

A detailed review of the risk management policies adopted by the Company is included in note 16 to these financial statements.



John Soler
Director



Etienne Borg Cardona
Director



Kurt Abela
Director

Registered address:
Project Technik
Cannon Road
Qormi QRM 9032
Malta

24 March 2021

Statement of Compliance with the Code of Principles of Good Corporate Governance

Introduction

The Prospects MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Principles of Good Corporate Governance.

The Board of Directors (the "Board" or the "Directors") of KA Finance plc (the "Company") acknowledge that the adherence with the Principles of Good Corporate is in the best interests of the Company, its shareholders and other stakeholders.

The Company's decision-making structure is designed to ensure that the Company's decision making process is subject to the necessary checks and balances.

Within this report, the Group refers to the Company and its immediate parent company, K.A. Holdings Limited.

General

Good corporate governance is in the main the responsibility of the Board and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Principles of Good Corporate Governance, the Board took cognisance of the Company's size, nature and operations, and is of the opinion that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations may not be appropriate for the Company.

The Board considers that, to the extent otherwise disclosed herein, the Company was compliant with the Principles of Good Corporate Governance throughout the year under review. This Statement sets out the structures and processes in place within the Company and how these effectively achieve the goals set out in the mentioned Principles for the year under review. For this purpose, this Statement will make reference to the relevant Principles of Good Corporate Governance and then sets out the manner in which the Board considers that these have been adhered to or otherwise.

Principle One: The Company's Board of Directors

The Directors report that, for the financial year under review, they have demonstrated the leadership required for the direction of the Company, and they have performed their responsibilities for the efficient and smooth running of the Company. The Board is composed of members who are fit and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates to the shareholders and to the other relevant stakeholders.

The Board has throughout the year under review adopted prudent and effective systems which ensure an open dialogue between the Board, Senior management and the Shareholder. The Board is structured to include a mix of one executive and two independent non-executive directors, and this enables the Board to have direct information about the Company's performance and business activities, and to ensure that executive management is held to account.

Principle Two: The Company's Chairman and Managing Director

The Chairman, who acts as an independent non-executive director, exercises independent judgment and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company. The Chairman is also responsible for ensuring effective communication and ensuring active engagement by all members of the Board for discussion of complex or contentious issues.

The role of the Managing Director is carried out by the only executive director on the board who is also the ultimate beneficial owner of KA Finance plc (Issuer) and K.A. Holdings Ltd (Guarantor). The Managing Director is accountable to the Board for all business operations and for any material decision on K.A. Holdings Ltd as required in the restrictive covenants of the Company Admission Document.

Principle Three: Composition of the board

The Board is composed of three members, with two independent non-executive Directors and one executive Director. The Board is responsible for the overall long-term strategy and general policies of the KA Finance plc and K.A. Holdings Ltd, whilst monitoring all the systems of control and financial reporting and communicating effectively with the market as and when necessary.

The Board of Directors consists of the following:

Mr John Soler – Chairman - Independent Non-executive Chairman

Mr Etienne Borg Cardona – Independent Non-executive Director

Mr Kurt Abela – Executive Director

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors is exclusively reserved to the Company's shareholder. In the event that a vacancy arises for the role of a Director, the board is required to call a general meeting within three months from when the vacancy arises to appoint a new Director.

Mr John Soler and Mr Etienne Borg Cardona are independent non-executive members of the Board. None of the independent non-executive Directors is or has been employed in any capacity with the Group, has or had a significant business relationship with the Group or has received significant additional remuneration from the Group.

Principle Four: The Responsibilities of the Board

The Board acknowledges its statutory mandate to set out the strategic direction of the Company. In fulfilling this mandate and in discharging its duty of stewardship of the Company, formulating the Company's strategy, taking decisions with respect to the issue, servicing and redemption of its bonds in issue, and monitoring the operations of K.A. Holdings Ltd, the Board oversees the Company's compliance with its commitments towards the bondholders and all the relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Audit Committee

The Audit Committee has its own Charter which establishes its terms of reference. The role of the Audit Committee is to assist the Board of Directors of KA Finance plc in fulfilling their oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations and the code of conduct. The Audit Committee shall meet not less than four times during every financial year.

Although the Audit Committee is set up at the level of the Company, its main tasks are also related to the activities of the Group. Through the mentioned Charter, the Board has set formal terms of establishment and terms of reference of the Audit Committee, that establish its composition, role and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. Furthermore, the Audit Committee has the role and function of scrutinising, evaluating and authorising any proposed transaction to be entered into by the Company and K.A. Holdings Ltd, to ensure that the execution of any such transaction is for valid commercial reasons, transacted at arm's length and on a commercial basis, and is ultimately in the best interests of the Company. Any related party transactions are subject to the pre-approval of the Audit Committee. The Audit Committee charter also delegates the responsibility of reviewing the annual budget of KA Finance plc, taking into consideration K.A. Holdings Ltd and relevant related companies. On a quarterly basis, the Audit Committee reviews the financial statements of KA Finance plc and relevant related group companies, as well as comparisons of actual results to projections.

The Audit Committee is composed of three members:

Mr Etienne Borg Cardona – Chairman
Mr John Soler – Member
Mr Kurt Abela – Member

Mr Etienne Borg Cardona and Mr John Soler are both independent non-executive Directors.

Mr Etienne Borg Cardona is a certified public accountant and auditor by profession and holds a warrant to practice. Following experience in banking and in accountancy and audit practices, he has had a 30-year career in leadership positions in the private sector.

Mr John Soler has more than 40 years' experience in retail banking after holding several senior positions with BOV plc having led the bank's operations for over a decade before being appointed to the senior management team as Chief Officer Credit, with responsibility for BOV's lending portfolio, including corporate, business and consumer lending as well as mortgages.

During the year under review the Audit Committee held four meetings. The attendance of the Audit Committee for the year under review is shown below:

Mr Etienne Borg Cardona	Audit Committee Chairman	Attended 4 out of 4 meetings
Mr. John Soler	Board Chairman	Attended 4 out of 4 meetings
Mr. Kurt Abela	Director	Attended 4 out of 4 meetings

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks. During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company. Other key features of the system of internal control adopted by the Company in respect of its own internal control as well as the control of its subsidiaries and affiliates are as follows:

(i) Control Environment

The Company and K.A. Holdings Ltd and other group related companies are committed to the highest standards of business conduct and seek to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The KA Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

(ii) Risk identification

The Board is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company and K.A. Holdings Ltd operate. These risks are continuously monitored and assessed.

(iii) Information and communication

Systems and procedures are in place to identify, control and to report on the major risks including credit risk, changes in the general market environment, cost overruns of certain projects, adequate liquidity at all times, operational error and fraud. The Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against budgets. Periodic strategic reviews which include consideration of long-term financial projections are regularly commissioned by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board.

General Meetings

The general meeting is the highest decision-making body.

All business dealt with during an extraordinary annual general meeting and an annual general meeting shall be considered as special, except for the following matters that are dealt with during an Annual general meeting:

- Declaration of a dividend;
- Consideration of the financial statements;
- Report of the Directors and the Auditors;
- Election of the Directors;
- Appointment of the Company's Auditors and fixing the remuneration of Directors and Auditors

No business shall be transacted at any general meeting of the Company unless a quorum of members is present at the time the meeting proceeds to business. The quorum at any shareholders' meeting shall be any number of members holding not less than fifty-one per cent of the nominal value of the Issued Equity Shares of the Company. Provided that if within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be adjourned to the same day in the next week at the same time or place or to such other day and such other time and place as all the Directors may determine, as long as it is not earlier than ten days from the adjourned meeting and that no new items are included in the agenda.

If then, at the adjourned meeting a quorum is not present as described above, those present shall constitute a quorum.

Each share shall entitle the holder thereof to one vote. A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or by such persons as the Directors may delegate for that purpose.

Principle Five: Board Meetings

The Directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated in advance of the meeting. Minutes are prepared during Board meetings recording attendance and

resolutions taken at the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The Board agenda seeks to achieve a balance between long-term strategic and short-term performance issues.

All Board Meetings are also attended by representatives of the Corporate Adviser, in order to ensure adherence to all rules governing Prospects MTF.

The Board meets as often as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. During the year under review the Board of Directors held eleven meetings. The attendance of the Board Directors for the year under review is shown below:

Mr. John Soler	Board Chairman	Attended 11 out of 11 meetings
Mr Etienne Borg Cardona	Director	Attended 11 out of 11 meetings
Mr. Kurt Abela	Director	Attended 11 out of 11 meetings

Principle Six: Information and Professional Development

The Board together with the Executive Director make sure that the senior management of K.A. Holdings Ltd is well motivated to ensure the highest level of employee retention. Moreover, all Directors are very much aware and informed with all the operations of K.A. Holdings Ltd. One area which still requires attention is the aspect of succession planning as until now everything rotates around the Managing Director, who is the owner of both KA Finance plc and K.A. Holdings Ltd.

Principle Seven: Evaluation of the Board's Performance

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role at this point in time. This will be considered in the future, as the size of KA Finance plc and K.A. Holdings Ltd grows further and warrants the need of a separate committee to evaluate the performance of the Board.

Principle Eight: Remuneration and Nomination Committees

The Board of Directors considers that the size and operation of the Issuer does not warrant the setting up of a nomination and remuneration committee. Appointments to the Board of Directors are determined by the shareholders of the Issuer in accordance with the Company's Memorandum and Articles of Association. The Issuer considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Principles of Good Governance.

The remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits. During the year under review, the directors received emoluments amounting in total to €45,000 (2019: €31,193).

Principle Nine: Relations with Shareholders and with the Market

As already mentioned, the Annual Report and Financial Statements, the election of Directors and approval of Directors' fees, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting. With respect to the Company's bondholders and the market in general, the Board of Directors is committed to disclose all relevant information as soon as it is ascertained. In 2020, the Company issued fourteen Company Announcements to keep the market informed and updated.

Principle Ten: Institutional Shareholders

KA Finance plc and K.A. Holdings Ltd have no institutional shareholders.

Principle Eleven: Conflicts of Interest

The only Director of the Company who acts as an Executive Director is Mr. Kurt Abela. The other two Directors act as Independent non-Executive Directors and have no direct beneficial interest in the share capital of the Company. This means that the Board has a majority of Independent Non-Executive Directors to act as safeguard against any conflicts arising between the potentially diverging interests of the shareholder and the Company. At the beginning of every Audit Committee and Board meeting, all Directors are required to disclose any actual or potential conflicts, and to confirm that there have been no changes in their situation since the last meeting, and this is duly minuted.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity. Furthermore, he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict will participate in the consideration of the proposed transaction.

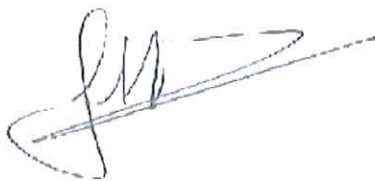
Principle Twelve: Corporate Social Responsibility

The Company and K.A. Holdings Ltd seek to adhere to sound Principles of Corporate Social Responsibility in its management practices and is committed to enhance the quality of life of all stakeholders and of the employees of the Group, and to act as a good corporate citizen.

The Board is mindful of the environment and its responsibility within the community in which it operates. In carrying on its business, the Group is fully aware and at the forefront to preserving the environment and continuously review its policies aimed at respecting the environment and encouraging social responsibility and accountability.

In conclusion, the Board considers that the Company has complied with the outlined Principles of Good Corporate Governance throughout the year under review, and adequately identified and explained instances where non-compliance was justified in view of the size and nature of the Company.

Approved by the board of directors and signed on its behalf on 24 March 2021 by:



Mr John Soler
Chairman



Mr Etienne Borg Cardona
Director

Income statement

	Notes	2020	2019
			(8 months)
		€	€
Recharged interest	15	285,000	102,288
Other income	15	87,135	50,516
Administrative expenses		(70,332)	(41,305)
Operating profit		301,803	111,499
Amortisation of bond issue costs		(15,396)	(5,516)
Finance costs	5	(285,000)	(102,288)
Profit before tax	6	1,407	3,695
Tax expense	7	(492)	(1,563)
Profit for the year/period		915	2,132
Earnings per share	8	0.02	0.04

Statement of financial position

	Notes	2020 €	2019 €
Assets			
Non-current			
Trade and other receivables	9	5,660,609	3,594,524
		<u>5,660,609</u>	<u>3,594,524</u>
Current			
Trade and other receivables	9	240,551	147,293
Cash and cash equivalents	10	160,296	2,289,093
		<u>400,847</u>	<u>2,436,386</u>
Total assets		<u>6,061,456</u>	<u>6,030,910</u>

Statement of financial position – continued

	Notes	2020 €	2019 €
Equity			
Share capital	11	50,000	50,000
Retained earnings		3,047	2,132
Total equity		53,047	52,132
Liabilities			
Non-current liabilities			
Borrowings	12	5,867,216	5,851,820
		5,867,216	5,851,820
Current			
Borrowings	12	102,288	102,288
Trade and other payables	13	38,413	23,107
Current tax liability		492	1,563
		141,193	126,958
Total liabilities		6,008,409	5,978,778
Total equity and liabilities		6,061,456	6,030,910

The financial statements on pages 11 to 27 were approved, authorised for issue and signed by the directors on 24 March 2021.



John Soler
 Director



Etienne Borg Cardona
 Director



Kurt Abela
 Director

Statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
Issue of shares upon incorporation	50,000	-	50,000
Profit for the period	-	2,132	2,132
At 31 December 2019	50,000	2,132	52,132
At 1 January 2020	50,000	2,132	52,132
Profit for the year	-	915	915
At 31 December 2020	50,000	3,047	53,047

Statement of cash flows

	Notes	2020 (12 months) €	2019 (8 months) €
Operating activities			
Profit before tax		1,407	3,695
Adjustments	14	300,396	107,804
Net changes in working capital	14	(77,952)	(124,186)
Income tax paid		(1,563)	-
Net cash generated from (used in) operating activities		222,288	(12,687)
Investing activity			
Loan advanced to parent company		(2,066,085)	(3,594,524)
Net cash used in investing activity		(2,066,085)	(3,594,524)
Financing activities			
Interest paid		(285,000)	-
Issue of shares upon incorporation		-	50,000
Net proceeds from issuance of MTF prospects		-	5,846,304
Net cash (used in) generated from financing activities		(285,000)	5,896,304
Net change in cash and cash equivalents		(2,128,797)	2,289,304
Cash and cash equivalents, beginning of year/period		2,289,093	-
Cash and cash equivalents, end of year/period	10	160,296	2,289,093

Notes to the 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 financial statements of the Company 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 Changes in accounting policies

3.1 New and revised Standards that are effective for annual periods beginning on or after 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Company's financial results or position. Accordingly, the Company has made no changes to its accounting policies in 2020.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable to the Company are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have not been made.

3.2 Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards and Interpretations have been published by the IASB. None of these Standard, amendments or Interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting policies have been consistently applied by the Company during the year under review.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The Company did not have any items classified as 'other comprehensive income' and consequently, management has elected to present only an income statement.

4.2 Revenue and expense recognition

Revenue arises mainly from recharged interest and other income.

To determine whether to recognise revenue, the Company follows a five-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligations are satisfied.

Expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

4.3 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Company does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs' or 'finance income'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and,
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designates a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

4.4 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in the other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operation results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.5 Cash and cash equivalents

For the purpose of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash at bank.

4.6 Equity

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period results.

4.7 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.8 Significant management judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying adjustments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the directors, the accounting policies, estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised).

5 Finance cost

The following amounts have been included in the income statement for the reporting periods presented:

	2020	2019 (8 months)
	€	€
Interest on bonds in issue	285,000	102,288

6 Profit before tax

The profit before tax is stated after charging:

	2020	2019 (8 months)
	€	€
Directors' remuneration	45,000	31,193
Auditor's remuneration	6,000	5,750

7 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2019: 35%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2020	2019 (8 months)
	€	€
Profit before tax	1,407	3,695
Tax rate	35%	35%
Expected tax expense	(492)	(1,293)
Adjustment for the tax effect of:		
- Disallowable expenses	-	(270)
Actual tax expense	(492)	(1,563)
Comprising:		
Current tax expense	(492)	(1,563)
	(492)	(1,563)

8 Earnings per share

Basic earnings per share is based on the profit for the year/period of €915 (2019: €2,132) attributable to the equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year/period.

	2020 (12 months)	2019 (8 months)
Weighted average number of shares in issue	50,000	50,000
	€	€
Earnings per share	0.02	0.04

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

9 Trade and other receivables

	2020 €	2019 €
Non-current		
Amounts due from parent company	5,660,609	3,594,524
Financial assets	<u>5,660,609</u>	<u>3,594,524</u>
Trade and other receivables – non-current	<u>5,660,609</u>	<u>3,594,524</u>
Current		
Amounts due from parent company	106,200	-
Other receivables	-	5
Financial assets	<u>106,200</u>	<u>5</u>
Accrued income	129,027	147,288
Prepaid expenditure	5,324	-
Trade and other receivables – current	<u>240,551</u>	<u>147,293</u>
Total trade and other receivables	<u>5,901,160</u>	<u>3,741,817</u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

Amounts due from the parent company are secured, repayable after more than 5 years and bear interest equal to that of the interest payable by the Company on the bonds. Interest charged in the current year amounted to €285,000 (2019: €102,288).

10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include the following component:

	2020 €	2019 €
Cash at bank	<u>160,296</u>	<u>2,289,093</u>

The Company did not have any restrictions on its cash at bank at year end.

11 Share capital

The share capital of KA Finance plc consists only of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of KA Finance plc.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
50,000 ordinary shares of € 1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Shares authorised at 31 December		
50,000 ordinary shares of € 1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

12 Borrowings

	2020 €	2019 €
MTF Prospects: 60,000 4.75% Secured Callable Bonds 2026-2029		
Amounts falling due within one year	102,288	102,288
Amounts due after more than one year	5,867,216	5,851,820
Total borrowings	5,969,504	5,954,108

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 €5,954,108. The market value of the debt securities on the last day before the reporting date was € 6,000,000 (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 € 5,660,609 (2019: €3,594,524) were advanced to the parent company as at year-end and form part of trade and other receivables in note 9. This bond is secured by a special hypothec on Centris II, Triq il-Palazz l-Ahmar, Central Business, District, 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:

	2020 €	2019 €
4.75% Secured Callable Bonds 2026-2029		
Original face value of bonds issued	6,000,000	6,000,000
Gross amount of bond issue costs	(153,696)	(153,696)
Net proceeds from issuance	5,846,304	5,846,304
Amortisation of bond issue costs		
Accumulated amortisation at beginning of year	5,516	-
Amortisation charge for the year	15,396	5,516
Accumulated amortisation at end of year	20,912	5,516
Unamortised bond issue costs	(132,784)	(148,180)
Interest accrued as at end of year	102,288	102,288
Amortised cost and carrying amount	5,959,504	5,954,108

13 Trade and other payables

	2020	2019
	€	€
Trade payables	4,791	-
Accrued expenses	16,000	15,750
Financial liabilities	20,791	15,750
Statutory payables	15,758	7,357
Total trade and other payables	38,413	23,107

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

14 Cash flow adjustments and changes in working capital

The following cash flow adjustments and net changes in working capital have been made to the pre-tax result for the year/period to arrive at operating cash flows:

	2020	2019
	(12 months)	(8 months)
	€	€
Adjustments:		
Finance costs	285,000	102,288
Amortisation of bond issue costs	15,396	5,516
	300,396	107,804
Net changes in working capital:		
Change in trade and other receivables	(93,258)	(147,293)
Change in trade and other payables	15,306	23,107
	(77,952)	(124,186)

15 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 9.

15.1 Transactions with parent company

	2020	2019
	€	€
Loan advanced to parent company	2,066,085	3,664,474
Interest recharged to parent company	285,000	102,288
Management fees charged to parent company	71,739	45,000
Expenses recharged to parent company	15,396	5,516
Expenses paid by parent company	-	75,466

15.2 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. The directors' remuneration is separately disclosed in note 6.

16 Risk management objectives and policies

The Company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments. The Company's risk management is coordinated by the board of directors and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial risks.

The financial risks to which the Company may be exposed are described below. See also note 16.4 for a summary of the Company's financial assets and financial liabilities by category.

16.1 Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2020 €	2019 €
Classes of financial assets – carrying amounts			
<i>Financial assets at amortised cost</i>			
Trade and other receivables	9	5,766,809	3,594,529
Cash and cash equivalents	10	160,296	2,289,093
		<u>5,927,105</u>	<u>5,883,622</u>

Credit risk with respect to trade and other receivables is limited due to the nature of the Company's operations. Trade and other receivables comprise mainly the amounts due from parent company. The Company's concentration to credit risk arising from these receivables is considered limited as there were no indications that this counterparty is unable to meet its obligations. Management considers these to be of good credit quality. Management does not consider these receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the Company.

The credit risk for liquid funds is considered negligible since deposits are made with reputable banks that have a high-quality external credit-rating.

16.2 Liquidity risk

The Company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings and trade and other payables (see notes 12 and 13). The Company has the financial support of its shareholder and related parties to ensure the availability of an adequate amount of funding to meet the Company's obligations when they become due. The Company's exposure to liquidity risk is therefore limited.

At 31 December 2020, the Company's financial liabilities have contractual maturities which are summarised below:

	Current €	Non-current €
Borrowings	102,288	5,867,216
Trade and other payables	20,791	-
	<u>123,079</u>	<u>5,867,216</u>

At 31 December 2019, the Company's financial liabilities have contractual maturities which are summarised below:

	Current €	Non-current €
Borrowings	102,288	5,851,820
Trade and other payables	15,750	-
	<u>118,038</u>	<u>5,851,820</u>

The above amounts reflect the contractual undiscounted cash flows which may differ from the carrying amounts of liabilities at the reporting date.

16.3 Market risk

Foreign currency risk

The Company transacts business mainly in Euro and had no foreign currency denominated financial assets and financial liabilities at the end of the financial reporting date under review. Accordingly, the Company's exposure to foreign exchange risk is not significant.

Interest rate risk

The Company is not exposed to interest rate risk as the Company's borrowings are at a fixed interest rate.

16.4 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.3 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2020 €	2019 €
Non-current asset			
<i>Financial asset measured at amortised cost</i>			
- Trade and other receivables	9	<u>5,660,609</u>	<u>3,594,524</u>
Current assets			
<i>Financial assets measured at amortised cost:</i>			
- Trade and other receivables	9	106,200	5
- Cash and cash equivalents	10	160,296	2,289,093
		<u>266,496</u>	<u>2,289,098</u>
Non-current liability			
<i>Financial liability measured at amortised cost:</i>			
- Borrowings	12	<u>5,867,216</u>	<u>5,851,820</u>
		<u>5,867,216</u>	<u>5,851,820</u>
Current liabilities			
<i>Financial liabilities measured at amortised cost:</i>			
- Borrowings	12	102,288	102,288
- Trade and other payables	13	20,791	15,750
		<u>123,079</u>	<u>118,038</u>

17 Ultimate controlling party

The ultimate controlling party is Kurt Abela who owns 99.9% of the shares of the parent company.

18 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.

19 Earnings trends and financial position and the effect of significant extraordinary events

The Company is dependent on the business prospects of the parent company, K.A. Holdings Limited (the 'Guarantor'), and therefore the financial performance of the Guarantor has a material effect on its financial position and prospects.

The principal activity of the Guarantor is the development of office space in Central Business District, Mriehel for rental, the development of an apartment complex in Swieqi for short term rental purposes, and the refurbishment and eventual operation of a Boutique Hotel in Gzira. To date, the Guarantor has focused on offering to rent out office space from its building in Central Business District, Mriehel (Centris I).

The Company recognises that the Guarantor is subject to the normal business risks associated with the business in which they operate. However, due to unforeseen circumstances in connection with the COVID-19 pandemic outbreak, a period of uncertainty is expected which could lead to a material adverse effect on the development projects of the Guarantor and its business, at least with respect to the current financial year. Nevertheless, the Company fully expects to generate sufficient revenues to meet its payment obligations to its bondholders and other payables.

20 Post-reporting date events

No adjusting and significant non-adjusting events have occurred between the reporting date and the date of authorisation by the board.

Independent auditor's report

To the shareholders of KA Finance plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KA Finance plc (the 'company') set out on pages 11 to 27 which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2020, 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 December 2020, and of its financial performance and its cash flows 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 (the 'Act').

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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described in the succeeding page to the key audit matters to be communicated in our report.

Recoverability of loans advanced to parent company

Description of key audit matter

Non-current trade and other receivables comprise loans to parent company, K.A. Holdings Limited (KAH), amounting to €5,660,609 as at 31 December 2020. Such receivables represent the most significant asset of the company and has arisen because of the principal reason for which the company was incorporated, to act as a financing company for KAH. Loans advanced to KAH were from the net proceeds of the bonds issued by the company which is fully disclosed in note 12 to the financial statements.

How the key audit matter was addressed in our audit

We have examined and agreed the balances and terms of the loans to the supporting loan agreements. We have also agreed the outstanding balances as at year-end with the parent company. The recoverability of the loans were ascertained by assessing the financial soundness of KAH, who is also the guarantor of the bonds issued by the company, by referring to the latest financial information through the parent company's financial statements, its cash flow projections and forecasts.

On the basis of our work, we determined that management's assessment as to the recoverability of loans advanced to parent company is reasonable.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and Statement of Compliance with the Code of Principles of Good Corporate Governance, shown on pages 2 to 10, which we obtained prior to the date of this auditor's 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.

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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the director's report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements

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 are properly prepared in accordance with the provisions of the Act, 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 relating 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.

The directors are responsible for overseeing the company's financial reporting process.

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 the ISAs, we exercise professional judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 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 those charged with governance 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on Corporate governance statement

The Prospects MTF Rules (the 'Rules') issued by the Malta Stock Exchange require the directors to prepare and include in their Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance under the Rules and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Rules also require us, as the auditor of the company, to include a report on the Statement of Compliance with the Code of Principles of Good Corporate Governance prepared by the directors.

We read the Corporate governance statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Corporate governance statement cover all risks and controls, or form an opinion in the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement set out on pages 5 to 10 has been properly prepared in accordance with the requirements of the Rules.

Other matters on which we are required to report by exception

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; and
- 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.

Auditor tenure

We were re-appointed as auditors of the company on 2 December 2019 and therefore represents an engagement of two years.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malta

24 March 2021

Income statement schedule

	2020 (12 months) €	2019 (8 months) €
Revenue		
Management fees	71,739	45,000
Recharged interest	285,000	102,288
Recharged costs	15,396	5,516
	<u>372,135</u>	<u>152,804</u>
Administrative expenses		
Auditor's remuneration	6,000	5,750
Bank charges	1,433	48
Formation expenses	-	770
Insurance	2,299	-
Legal and professional fees	4,013	-
Printing, postage and stationery	28	-
Salaries	50,112	34,737
Subscriptions and licences	6,447	-
	<u>70,332</u>	<u>41,305</u>
Finance costs		
Amortisation of issue costs	15,396	5,516
Interest expense	285,000	102,288
	<u>300,396</u>	<u>107,804</u>
Profit before tax	<u>1,407</u>	<u>3,695</u>