

K.A. Holdings Limited

Interim Financial Report and
Consolidated Financial Statements
(unaudited)

For the period 1 January to 30 June 2021

Contents

| | |
|---|---|
| Interim directors' report | 2 |
| Condensed statements of comprehensive income | 3 |
| Condensed statements of financial position | 4 |
| Condensed statements of changes in equity | 6 |
| Condensed statements of cash flows | 8 |
| Notes to the condensed interim financial statements | 9 |

Interim director's report

The director presents his interim report and the unaudited financial statements of K.A. Holdings Limited ('the company') and the consolidated financial statements of the group for the period ended 30 June 2021. The company and its subsidiary KA Finance Plc constitute the group. KA Finance plc was incorporated on the 22 April 2019 and acts as the financing company of the group.

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 group's principal activity is the rental of its investment properties to third parties and the raising of finance for related parties.

The company's principal activity is acting as the group's holding company and the rental of its investment properties to third parties.

Review of business

During the period under review the group registered a profit after tax of €168,315. (2020 profit after tax - €1,692,771).

Despite the challenges brought about by the COVID-19 pandemic, the company's results remained in line with those registered in the previous year. By the end of the financial period under review, construction and finishing at Centris II was at an advanced stage with the first tenants expected during the third quarter of this financial year. Works at Swieqi site are close to completion and long let contracts are in place for most of the apartments.

Directors

The Company and Group Directors during the period were:

Mr. Kurt Abela (Director of K.A. Holdings Ltd & KA Finance Plc) Mr. Etienne Borg Cardona (Independent Non-Executive Director of KA Finance Plc)

Mr. John Soler (Independent Non-Executive Director of KA Finance Plc)

Approved by the Board of Directors and signed on its behalf on the 2 August 2021 by:



Kurt Abela
Director

Condensed statements of comprehensive income

| | Group | | Company | |
|---|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | Jan-Jun 2021 € (unaudited) | Jan-Jun 2020 € (audited) | Jan-Jun 2021 € (unaudited) | Jan-Jun 2020 € (audited) |
| Rental income | 361,163 | 323,309 | 361,163 | 323,309 |
| Other income | 48,635 | 43,475 | 48,635 | 43,475 |
| Administrative expenses | (134,367) | (91,522) | (135,035) | (91,771) |
| Operating profit | 275,431 | 275,262 | 274,763 | 275,013 |
| Fair value gains on investment property | - | 1,650,000 | - | 1,650,000 |
| Finance costs | (52,942) | (51,908) | (52,942) | (51,908) |
| Profit before tax | 222,489 | 1,873,354 | 221,821 | 1,873,105 |
| Tax expense | (54,174) | (180,583) | (54,174) | (180,496) |
| Profit for the period | 168,315 | 1,692,771 | 167,647 | 1,692,609 |

Condensed statements of financial position

| | Group | | Company | |
|--|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| | 30 June 2021 (unaudited) € | 31 December 2020 (audited) € | 30 June 2021 (unaudited) € | 31 December 2020 (audited) € |
| Assets | | | | |
| Non-current Assets | | | | |
| Investment property | 27,830,878 | 27,194,484 | 27,830,877 | 27,194,484 |
| Intangible asset | 2,172 | 1,925 | 2,172 | 1,925 |
| Investment in subsidiary | | | 49,999 | 49,999 |
| Financial assets at fair value through other comprehensive income | 36,736 | 36,736 | 36,736 | 36,736 |
| Trade and other receivables | 68,952 | 67,075 | 68,952 | 67,075 |
| | 27,938,738 | 27,300,220 | 27,988,736 | 27,350,219 |
| Current Assets | | | | |
| Trade and other receivables | 187,470 | 238,703 | 193,716 | 233,379 |
| Cash and cash equivalents | 54,892 | 214,993 | 53,433 | 54,697 |
| | 242,362 | 453,696 | 247,149 | 288,076 |
| Total assets | 28,181,100 | 27,753,916 | 28,235,885 | 27,638,295 |

Condensed statements of financial position – continued

| | Group | | Company | |
|--|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| | 30 June 2021 (unaudited) € | 31 December 2020 (audited) € | 30 June 2021 (unaudited) € | 31 December 2020 (audited) € |
| Equity | | | | |
| Share capital | 150,000 | 150,000 | 150,000 | 150,000 |
| Revaluation reserve | 13,386,395 | 13,386,395 | 13,386,395 | 13,386,395 |
| Retained earnings | 1,551,156 | 1,382,841 | 1,547,442 | 1,379,794 |
| Equity attributable to the owners of the parent | 15,087,551 | 14,919,236 | 15,083,837 | 14,916,189 |
| Non-controlling interest | 1 | 1 | - | - |
| Total equity | 15,087,552 | 14,919,237 | 15,083,837 | 14,916,189 |
| Non-current liabilities | | | | |
| Borrowings | 1,847,079 | 1,904,185 | 1,847,079 | 1,904,185 |
| Debt securities in issue | 5,874,900 | 5,867,216 | - | - |
| Trade and other payables | 1,279,751 | 1,262,493 | 7,314,477 | 6,923,101 |
| Deferred tax liability | 2,175,559 | 2,175,559 | 2,175,559 | 2,175,559 |
| | 11,177,289 | 11,209,453 | 11,337,115 | 11,002,845 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Borrowings | 70,022 | 160,991 | 70,022 | 160,991 |
| Debt securities in issue | 243,617 | 102,288 | - | - |
| Trade and other payables | 1,544,032 | 1,256,700 | 1,686,816 | 1,453,515 |
| Current tax liability | 58,587 | 105,247 | 58,095 | 104,755 |
| | 1,916,258 | 1,625,226 | 1,814,933 | 1,719,261 |
| Total liabilities | 13,093,547 | 12,834,679 | 13,152,048 | 12,722,106 |
| Total equity and liabilities | 28,181,100 | 27,753,916 | 28,235,885 | 27,638,295 |

The condensed interim financial statements on pages 3 to 11 were approved, authorised for issue, and signed by the director on 2 August 2021.

Kurt Abela
 Director

Condensed statements of changes in equity

| | Share capital € | Revaluation reserves € | Retained earnings € | Equity attributable to owners of the parent € | Non-controlling interest € | Total equity € |
|--|-----------------------|------------------------------|---------------------------|--|----------------------------------|----------------------|
| Group | | | | | | |
| At 1 January 2020 | 150,000 | 9,891,231 | 1,051,318 | 11,092,549 | - | 11,092,549 |
| Issuance of shares | - | - | - | - | 1 | 1 |
| Profit for the period | - | - | 1,692,771 | 1,692,711 | - | 1,692,711 |
| Revaluation of investment property – net | - | 1,518,000 | (1,518,000) | - | - | - |
| At 30 June 2020 (unaudited) | 150,000 | 11,409,231 | 1,226,089 | 12,785,320 | 1 | 12,785,321 |
| At 1 January 2021 | 150,000 | 13,386,395 | 1,382,842 | 14,919,237 | 1 | 14,919,238 |
| Profit for the period | - | - | 168,314 | 168,314 | - | 168,314 |
| At 30 June 2021 (unaudited) | 150,000 | 13,386,395 | 1,551,156 | 15,087,551 | 1 | 15,087,552 |

Condensed statements of changes in equity - continued

| | Share capital € | Revaluation reserves € | Retained earnings € | Total equity € |
|--|-----------------------|------------------------------|---------------------------|----------------------|
| Company | | | | |
| At 1 January 2020 | 150,000 | 9,891,231 | 1,049,186 | 11,090,417 |
| Profit for the period | - | - | 1,692,609 | 1,692,609 |
| Revaluation of investment property – net | - | 1,518,000 | (1,518,000) | - |
| At 30 June 2020 (unaudited) | 150,000 | 11,409,231 | 1,223,795 | 12,783,026 |
| At 1 January 2021 | 150,000 | 13,386,395 | 1,379,794 | 14,916,189 |
| Profit for the period | - | - | 167,647 | 167,647 |
| At 30 June 2021 (unaudited) | 150,000 | 13,386,395 | 1,547,442 | 15,803,837 |

Retained earnings include all current and prior period results as disclosed in the income statements.

Condensed statement of cash flows

| | Group | | Company | |
|---|------------------|--------------------|------------------|------------------|
| | Jan-Jun 2021 | Jan-Jun 2020 | Jan-Jun 2021 | Jan-Jun 2020 |
| | € | € | € | € |
| Operating activities | | | | |
| Profit before tax | 222,489 | 1,873,354 | 167,647 | 1,873,105 |
| Adjustments | (711) | (1,448,360) | 53,464 | (1,597,779) |
| Net changes in working capital | 470,361 | 478,233 | 193,036 | 654,917 |
| Income tax paid | (105,247) | (98,841) | (105,247) | (96,841) |
| Net cash generated from operating activities | 586,892 | 804,386 | 308,900 | 833,402 |
| Investing activity | | | | |
| Payments for improvements to investment property | (636,293) | (1,538,743) | (636,293) | (1,538,743) |
| Purchase of intangible assets | (769) | - | (769) | - |
| Net advances (to)/from related parties | 91,145 | (12,540) | 528,014 | 1,265,899 |
| Net cash generated from/(used in) investing activity | (545,917) | (1,551,283) | (109,048) | (272,844) |
| Financing activity | | | | |
| Repayment of bank borrowings | (148,075) | (232,602) | (148,176) | (232,602) |
| Interest paid | (52,942) | (201,327) | (52,942) | (201,327) |
| Net cash used in financing activity | (201,017) | (433,929) | (201,117) | (433,929) |
| Net change in cash and cash equivalents | (160,042) | (1,180,826) | (1,266) | 126,629 |
| Cash and cash equivalents, beginning of period | 214,933 | 2,310,847 | 54,697 | 21,754 |
| Cash and cash equivalents, end of period | 54,892 | 1,130,021 | 53,433 | 148,383 |

Notes to the condensed interim financial statements

1 Basis of preparation

The condensed interim financial statements for the half year ended 30 June 2021 have been extracted from the unaudited management accounts of the Group and have been prepared in accordance with International Accounting 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 2020, 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 interim financial statements are presented in euro (€), which is also the functional currency of the company and of the group. The amounts presented in the financial statements are rounded to the nearest euro.

2 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 2020, as described in those financial statements.

3 Financial risk management

The group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

4 Critical accounting estimates and judgements

In the process of applying the company's accounting policies, no judgements were required from management 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.

5 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 group to be made up of two segments: i) rental income and ii) raising financial resources from capital markets to finance the capital projects of the group. All the group's revenue and expenses are generated in Malta and revenue is mainly earned from rental income and recharge of expenses.

6 Related party transactions

The group's related parties include its director, shareholders, key management personnel and other companies ultimately owned by the same shareholders.

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 affected on a cost-plus basis. Outstanding balances are usually settled in cash. There were no transactions with the director and key management personnel during the reporting period under review.

6.1 Transactions with related parties

| | Group | | Company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Jan-Jun 2021 € | Jan-Jun 2020 € | Jan-Jun 2021 € | Jan-Jun 2020 € |
| Finishing works charged by related company | 90,176 | 159,472 | 90,176 | 159,472 |
| Wages charged by related company | 12,000 | 12,000 | 12,000 | 12,000 |
| Management fees | - | - | 34,068 | 30,000 |
| Recharges | - | - | 7,684 | 7,698 |
| Finance cost | - | - | 141,329 | 141,721 |

7 Debt securities in issue

| | Group | | Company | |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | 30 June 2021 € | 31 December 2020 € | 30 June 2021 € | 31 December 2020 € |
| 4.75% Secured Callable Bonds redeemable 2026 – 2029 | | | | |
| Amounts falling due within one year | 243,617 | 102,288 | - | - |
| Amounts falling due after more than one year | 5,874,900 | 5,867,216 | - | - |
| | 6,118,517 | 5,969,504 | - | - |

By virtue of Company Admission Document dated 24 July 2019, KA Finance plc 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 KA Finance plc.

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 €6,118,517 (31 Dec 2020: €5,969,504). The market value of the debt securities on the last day before the reporting date was €5,999,400 (31 Dec 2020: €6,132,000).

Interest is payable on the 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.

Proceeds from the bond issuance of €5,963,603 (2020: €5,664,774) were advanced to K.A. Holdings Limited.

The bonds are guaranteed by K.A. Holdings Limited.

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:

| | 30 June 2021 | 30 December 2020 |
|--|-------------------------|-----------------------------|
| | € | € |
| 4.75% Secured Callable Bonds redeemable 2026 – 2029 | | |
| Fair 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 |
| Opening balance of amortised bond issue costs | 20,912 | 5,516 |
| Amortisation of bond issue costs | 7,684 | 15,396 |
| Accumulated amortisation at end of financial period | 28,596 | 20,912 |
| Unamortised bond issue costs carried | 125,100 | 132,784 |
| Interest accrued as at end of financial period | 243,617 | 102,288 |
| Amortised cost and carrying amount | 6,118,517 | 5,969,504 |

8 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.

