

K.A. Holdings Limited

Report & Consolidated Financial
Statements

31 December 2021

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Director's report

The director presents his report and the audited financial statements of K.A. Holdings Limited ("the company") and the consolidated financial statements of the group for the year ended 31 December 2021. The group is inclusive of KA Finance plc, which was incorporated on the 22 April 2019 and was formed to act as a financing company of the group.

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

The group owns two properties in Mriehel, Centris I and Centris II. Throughout this financial year Centris I has seen a 100% occupancy level throughout. Tenants within the building operate in various industries, mainly within the banking (46%), financial services (23%), creative marketing (10%) and medical aesthetics (9%). As from July 2021, new tenants moved in in Centris II and by the end of the year 40% of the available space was contracted.

All contracts entered by the company are for periods between 2 and 15 years. Moreover, 88% of the contracts in terms of rental income are for periods with a remaining term of over 6 years. The contracts also stipulate a yearly increase in rent payable by the tenants in line with the inflation index. During the year under review, the company generated total rental income from its investment properties at Mriehel and Gzira of € 838,485 (2020: € 672,227).

With respect to the other properties owned by the group, the Swieqi property has now been completed and is now 100% occupied with long-term lets. Similarly, the Gzira properties have been 100% occupied throughout the year.

In 2019, the group obtained funding through MTF Prospects 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, these Bond funds are being used to finance the projects of the group.

The group has experienced an increase in its administrative and finance costs. This is due to the fact in view of IAS 23, Borrowing Costs, such expenses are now being expensed directly to profit and loss instead of being capitalised since now all properties are available to be operated.

The company has undertaken a revaluation exercise at the end of the year under review, recognising gains arising from increases in fair value of investment property. As a result, total equity as at the end of the year for the company amounted to € 15,283,303 (2020: € 14,916,189) while the total equity of the Group amounted to € 15,287,290 (2020: € 14,919,237).

Key performance indicators

	Group	Company
	2021	2021
	€	€
Operating profit	629,050	627,606
Finance costs	266,993	266,993
Net profit after tax	368,053	367,114
Total equity and liabilities	29,118,118	29,156,210

The directors consider the company and the group to be a going concern. All the directors are responsible for this statement.

Principal Risks

The main risks that the Company and the Group are exposed too are listed in a summarised format here below:

Risks related to the Property and Rental market

The Company is developing the various properties through building, refurbishment and other various finishes. Therefore, the Group is exposed to fluctuations in the property and real estate markets. There are several factors that commonly affect the real estate market generally, many of which are beyond the control of the company or the Group, and which could adversely affect the economic performance and value of any property under development, such as changes in general economic conditions, general industry trends, including the cyclical nature of the real estate market, changes in local market conditions, such as over-supply of similar properties, a reduction in demand for real estate or change of local preferences and tastes, increase in competition in the market segment in which the company is undertaking property market development may lead to an over-supply of office space for rental, which could lead to a lowering of prices and a corresponding reduction in revenue and general political developments.

The Company is reliant on rental income streams, with the rental of office space being the major business. The property rental market in Malta, including both commercial and residential properties, is very competitive. Any general economic downturn in Malta or any increase in supply of and any decline in demand for commercial and residential property to be leased may put downward pressure on the leases which the Group will be able to achieve, or make it challenging to even rent out the properties. This may have an adverse impact on the financial performance and condition of the Group.

Development risk

The Company is subject to risks associated with the development of the real estate, including the risk relating to project financing, delays, cost over-run and risk of insufficiency of resources, risk of suspension of works from any applicable authority or administrative body, and the possibility of legal disputes. If these risks were to materialise, they could have an adverse and material effect on the Group's financial condition and the results of its operations.

Dividends and Reserves

No payment of dividend is being proposed and all profits will be transferred to Reserves.

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)

The present Company and Group directors remain in office.

Effects of the COVID-19 pandemic

The Company and Group directors recognise that the Company 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 Company and its business, at least with respect to the current financial year. The Company and Group directors continually monitor the operation of the Company and are satisfied that the Company is expected to generate sufficient revenues to meet all its payment obligations.

Events after the end of the reporting period

Towards the end of February 2022, the armed conflict between the Russian Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institution and the United States government, to impose a number of sanctions on Russia and Belarus. These current sanctions in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the invading nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

The consequences of these restrictive measures are however also expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is undoubtedly set to rise further, following the initial Covid shocks on the global economy seen in the last couple of years, as the ongoing conflict in Ukraine and Covid-related measures continue to rock global supply chains. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict to global growth and recovery from Covid effects will be significant. As the price of oil and gas shift upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia will change forever.

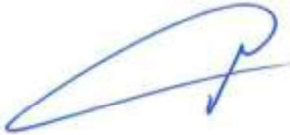
The company is not expected to be negatively impacted by the ongoing conflict in Ukraine because its main trading activity comprises of rental income from local companies and rental income to individuals living and working in Malta. However, management together with the directors, continue to actively monitor all developments taking place internationally in order to take any action that might be necessary in the eventuality that developments in the conflict start to impact the company's turnover and business activity.

The company is nevertheless expected to be negatively impacted in the short to medium term as costs are expected to rise generally throughout the economies and the industries in which it operates; and specifically for costs pertaining to finishing costs of the Centris II offices, which need to be finished in order to be rented out to prospective new tenants.

Auditor

The auditor, Grant Thornton, shall remain in office and a resolution to this effect will be put forward at the next annual general meeting.

Approved by the Board of Directors and signed on its behalf on the 12 April 2022 by:



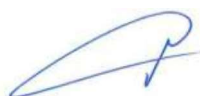
Kurt Abela
Director

Statement of director's responsibilities

The Companies Act, Cap 386 requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and its group as at the end of the financial year and of the profit or loss of the company and its group for that year. In preparing these financial statements, the director is required to:

- adopt the going concern basis unless it is inappropriate to presume that the company and the group 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;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable him 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. He is also responsible for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Kurt Abela
Director

Registered address:
'Project Technik'
Cannon Road
Qormi QRM 9032
Malta

12 April 2022

Statements of comprehensive income

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Rental income		838,485	672,227	838,485	672,227
Other income		108,509	92,431	108,509	92,431
Administrative expenses		(317,944)	(226,954)	(319,388)	(228,361)
Operating profit		629,050	537,704	627,606	536,297
Fair value gains on investment property	8	112,393	4,026,644	112,393	4,026,644
Finance costs	5	(266,993)	(104,855)	(266,993)	(104,855)
Profit before tax	6	474,450	4,459,493	473,006	4,458,086
Tax expense	7	(106,397)	(632,806)	(105,892)	(632,314)
Profit for the year		368,053	3,826,687	367,114	3,825,772

Statements of financial position

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Assets					
Non-current					
Investment properties	8	28,518,131	27,194,484	28,518,131	27,194,484
Intangible asset		1,075	1,925	1,075	1,925
Investment in subsidiary	9	-	-	49,999	49,999
Financial assets at fair value through other comprehensive income	10	36,736	36,736	36,736	36,736
Trade and other receivables	11	72,967	67,075	72,967	67,075
		28,628,909	27,300,220	28,678,908	27,350,219
Current					
Trade and other receivables	11	272,539	238,703	261,434	233,379
Cash and cash equivalents	12	216,670	214,993	215,868	54,697
		489,209	453,696	477,302	288,076
Total assets		29,118,118	27,753,916	29,156,210	27,638,295

Statements of financial position – continued

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Equity					
Share capital	13	150,000	150,000	150,000	150,000
Revaluation reserves		13,498,788	13,386,395	13,498,788	13,386,395
Retained earnings		1,638,501	1,382,841	1,634,515	1,379,794
Equity attributable to the owners of the parent		15,287,289	14,919,236	15,283,303	14,916,189
Non-controlling interest		1	1	-	-
Total equity		15,287,290	14,919,237	15,283,303	14,916,189
Liabilities					
Non-current liabilities					
Borrowings	14	2,619,166	1,904,185	2,619,166	1,904,185
Debt securities in issue	15	5,890,476	5,867,216	-	-
Trade and other payables	16	518,257	1,262,493	6,411,041	6,923,101
Deferred tax liability	17	2,281,451	2,175,559	2,281,451	2,175,559
		11,309,350	11,209,453	11,311,658	11,002,845
Current					
Borrowings	14	175,447	160,991	175,447	160,991
Debt securities in issue	15	103,849	102,288	-	-
Trade and other payables	16	2,238,538	1,256,700	2,381,881	1,453,515
Current tax liability		3,644	105,247	3,921	104,755
		2,521,478	1,625,226	2,561,249	1,719,261
Total liabilities		13,830,828	12,834,679	13,872,907	12,722,106
Total equity and liabilities		29,118,118	27,753,916	29,156,210	27,638,295

The financial statements on pages 6 to 33 were approved, authorised for issue and signed by the director on 12 April 2022.

Kurt Abela
 Director

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	1	11,092,550
Profit for the year	-	-	3,826,687	3,826,687	-	3,826,687
Revaluation of investment property – net	-	3,495,164	(3,495,164)	-	-	-
At 31 December 2020	150,000	13,386,395	1,382,841	14,919,236	1	14,919,237
At 1 January 2021	150,000	13,386,395	1,382,841	14,919,236	1	14,919,237
Profit for the year	-	-	368,053	368,053	-	368,053
Revaluation of investment property – net	-	112,393	(112,393)	-	-	-
At 31 December 2021	150,000	13,498,788	1,638,501	15,287,289	1	15,287,290

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 year	-	-	3,825,772	3,825,772
Revaluation of investment property – net	-	3,495,164	(3,495,164)	-
At 31 December 2020	150,000	13,386,395	1,379,794	14,916,189
At 1 January 2021	150,000	13,386,395	1,379,794	14,916,189
Profit for the year	-	-	367,114	367,114
Revaluation of investment property – net	-	112,393	(112,393)	-
At 31 December 2021	150,000	13,498,788	1,634,515	15,283,303

Statements of cash flows

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Operating activities					
Profit before tax		474,450	4,459,493	473,006	4,458,086
Adjustments	18	155,450	(3,920,939)	155,450	(3,920,939)
Net changes in working capital	18	189,202	254,726	382,359	2,398,763
Income tax paid		(102,108)	(98,404)	(100,834)	(96,841)
Net cash generated from operating activities		716,994	694,876	909,981	2,839,069
Investing activity					
Payments for improvements to investment property		(1,053,196)	(2,316,436)	(1,078,017)	(2,331,832)
Purchase of intangible assets		-	(900)	-	(900)
Net cash used in investing activity		(1,053,196)	(2,317,336)	(1,078,017)	(2,332,732)
Financing activity					
Proceeds from (repayment of) bank borrowings	25	729,437	(83,539)	729,437	(83,539)
Interest paid	25	(391,558)	(389,855)	(400,230)	(389,855)
Net cash generated from (used in) financing activity		337,879	(473,394)	329,207	(473,394)
Net change in cash and cash equivalents		1,677	(2,095,854)	161,171	32,943
Cash and cash equivalents, beginning of year		214,993	2,310,847	54,697	21,754
Cash and cash equivalents, end of year	12	216,670	214,993	215,868	54,697

Notes to the financial statements

1 Nature of operations

K.A. Holdings Limited (the ‘company’) is a holding company. It also rents out its investment properties to third parties.

The group is principally engaged in renting out investment properties and raising finance for related parties.

2 General information, statement of compliance with International Financial Reporting Standards (IFRS) and going concern assumption

2.1 General information and statement of compliance with IFRS

K.A. Holdings Limited, a private limited liability company, is incorporated and domiciled in Malta. The address of the company’s registered office is ‘Project Technik’, Cannon Road, Qormi QRM 9032, Malta.

The financial statements of the company and the consolidated financial statements of the group 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.

2.2 Going concern assumption

The financial statements have been drawn up on a going concern basis. At 31 December 2021, the group had net current liabilities of € 2,032,269 (2020: € 1,171,530) and the company had net current liabilities of € 2,083,947 (2020: € 1,431,185).

Included in the group’s and company’s current liabilities are amounts owed to related companies and shareholder of € 879,162 (2020: € 639,442) and € 1,050,169 (2020: € 745,642) (see note 12), respectively.

The director has obtained assurances that the related companies and the shareholder will not call for payment of the amount due before third party balances are settled. The director who is the majority shareholder has also given assurance that he will maintain his current financial support to enable the company to meet its liabilities as they fall due and to continue its operations in the foreseeable future.

On this basis, the director considers it appropriate to prepare the financial statements on the going concern basis.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 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 2021.

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

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 group.

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 group's consolidated financial statements.

4 Summary of accounting policies

4.1 Overall considerations and basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except for investment property which is measured at fair value. Monetary amounts are expressed in euro (€).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

4.2 Basis of consolidation

The group's consolidated financial statements consolidate those of the parent company and its subsidiary as of 31 December 2021. Its subsidiary has a reporting date of 31 December.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. K.A. Holdings Limited obtains and exercises control through voting rights.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income or loss of subsidiary acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes profit or loss of subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The consolidated financial statements have been prepared from the financial statements of the companies comprising the group as reported in note 9 of these financial statements.

4.3 Income and expense recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the group for services provided excluding VAT.

To determine whether to recognise revenue, the group follows a 5-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 obligation(s) are satisfied

Revenue from contracts with customers is recognised when control of the company's services is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services.

The company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the company expects to be entitled under the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

Administrative expenses are recognised in the statements of comprehensive income upon utilisation of the service or at the date they are incurred.

Interest income and expenses are reported on an accrual basis using the effective interest method and is presented within 'finance income' and 'finance costs' in the statements of comprehensive income.

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported within finance costs in the statements of comprehensive income.

4.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in the statements of comprehensive income in the period of derecognition.

Rental income and operating expenses from investment property are reported within 'rental income' and 'administrative expenses' respectively.

4.6 Intangible assets

Intangible assets comprise website development costs of the company. Intangible assets that are acquired by the company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statements of comprehensive income as incurred.

Amortisation is recognised on a straight-line basis over the estimated useful life of the intangible asset from the date they are available for use as follows:

Website development costs	4 years
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Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.7.

Amortisation has been included within 'administrative expenses' in the statements of comprehensive income.

4.7 Impairment testing of intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses are recognised immediately in the statements of comprehensive income. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss that has been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

4.8 Investment in subsidiary

Investment in subsidiary is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investment in subsidiary to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in the statements of comprehensive income.

4.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the group 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 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), or
- fair value through other comprehensive income (FVOCI).

The group does not have any financial assets categorised as FVTPL 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 group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; 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.

All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss.

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 fair value through profit or loss.

The group considers a broader 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 group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets 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 group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade 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 group's financial liabilities include trade and other payables, borrowings and debt securities in issue.

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 the statements of comprehensive income are included within 'finance costs' or 'finance income'.

4.10 Income taxes

Tax expense recognised in the statements of comprehensive income 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.

4.11 Cash and cash equivalents

Cash comprises cash on hand and in bank. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

4.12 Equity

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

Revaluation reserves pertains to the fair value gains and losses from the remeasurement of investment property net of deferred tax and is not available for distribution to the company's shareholders.

Retained earnings include all current and prior period results.

4.13 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

4.14 Provisions and contingent liabilities

Provisions, legal disputes, onerous contracts or other claims are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

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.

Any reimbursement that the company is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.15 Significant management judgements, estimates and assumptions

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of asset, liabilities, income and expense.

Significant management estimates

Fair value of investment property

The company carries its investment properties at fair value, with changes in fair value being recognised in the statements of comprehensive income as they arise. This is based on market valuations performed by independent professional architects.

In December 2020, a valuation of the investment property was carried out by an independent professionally-qualified architect, on the basis of market value. The valuation of the property was based on the direct knowledge of the site, the Maltese construction and property markets, the area within which this property is located, as well as experience of the architect in such valuations and analysis of data available on the property market.

In a year when market valuations are not performed by an independent professional architect, an assessment of the fair value of investment properties is performed internally to reflect market conditions.

5 Finance costs

The following amounts have been included in the statements of comprehensive income line for the reporting periods presented:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest on bank borrowings	106,558	104,855	106,558	104,855
Interest on debt securities in issue	160,435	-	160,435	-
	266,993	104,855	266,993	104,855

6 Profit before tax

The profit before tax is stated after charging:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Directors' remuneration	81,108	63,000	36,028	18,000
Auditor's remuneration	10,800	9,500	4,200	3,500

7 Tax expense

The relationship between the expected tax expense based on the effective tax rate of K.A. Holdings Limited at 35% (2020: 35%) and the tax expense actually recognised in the statements of comprehensive income can be reconciled as follows:

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Profit before tax	474,450	4,459,493	473,006	4,458,086
Tax rate	35%	35%	35%	35%
Expected tax expense	(166,057)	(1,560,822)	(165,552)	(1,560,330)
Tax effect of:				
- Amortisation of intangible asset	(298)	(297)	(298)	(297)
- Disallowable expenses	-	(79,533)	-	(79,533)
- Difference in tax rate	-	134,445	-	134,445
- Movement in fair value of property	39,338	1,409,325	39,338	1,409,325
- Deferred tax on investment property	(105,892)	(531,480)	(105,892)	(531,480)
- Capital allowances absorbed	126,512	-	126,512	-
- Unabsorbed tax losses carried forward	-	(4,444)	-	(4,444)
Actual tax expense, net	(106,397)	(632,806)	(105,892)	(632,314)
Comprising:				
Current tax expense	(505)	(101,326)	-	(100,834)
Deferred tax expense (note 17)	(105,892)	(531,480)	(105,892)	(531,480)
	(106,397)	(632,806)	(105,892)	(632,314)

8 Investment properties

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Fair value				
Balance at 1 January	27,194,484	20,551,008	27,194,484	20,551,008
Additions	1,071,868	2,316,436	1,071,868	2,316,436
Increase in fair value	112,393	4,026,644	112,393	4,026,644
Capitalised borrowing costs	139,386	300,396	139,386	300,396
Balance at 31 December	28,518,131	27,194,484	28,518,131	27,194,484

The company owns properties in the localities of Mriehel, Swieqi and Gzira. The fair value of the property in Mriehel, an office building known as Centris I, which is being leased out by the company, is € 13.0 million (2020: € 13.0 million). The fair value of the property was determined based on a valuation performed by an independent valuer on 30 December 2020.

The property located in Swieqi was completed during the year. The fair value of the property was determined using the valuation method of an independent architect on 30 December 2020. As at 31 December 2021, the fair value of the Swieqi property is assessed at € 2.6 million (2020: € 1.9 million).

In 2019, the company acquired another property in Mriehel, named Centris II, which was also substantially completed during the year. The fair value of the property is deemed to be determinable using the valuation method of an independent architect. As at 31 December 2021, the fair value of this property is assessed at € 12.2 million (2020: € 11.6 million).

The rental income of € 838,485 (2020: € 672,227) is shown within revenue and do not include any amounts from variable lease payments. Direct operating expenses of €63,175 (2020: € 24,000) are reported within administrative expenses, none of which is incurred on vacant properties that did not generate rental income.

Although the risks associated with rights that the company retains in underlying assets are not considered to be significant, the group employs strategies to further minimise these risks, for example, the collection of a security deposit on signing of lease contract.

The lease contracts are non-cancellable for a period known as ‘di fermo’ stipulated in each contract that can vary from 1 year to 5 years from commencement of the lease.

Future minimum lease rentals are as follows:

	Minimum lease payments due					Total €
	Within 1 year €	1 - 2 years €	2 - 3 years €	3 - 4 years €	4 - 5 years €	
31 December 2021	311,923	256,109	187,398	112,034	59,978	927,442
31 December 2020	389,279	47,313	22,968	6,515	-	466,075

9 Investment in subsidiary

	2021 €	2020 €
At 1 January/ 31 December	<u>49,999</u>	<u>49,999</u>

On 22 April 2019, the company incorporated KA Finance plc and invested the amount of € 49,999 for a 99.99% ownership.

The company has unquoted investments in the below subsidiary:

Name of company	Description of shares held	% Holding	2021 €	2020 €	Nature of business
KA Finance plc	49,999 ordinary shares of € 1 each	99.99	49,999	49,999	Raising finance for related parties

The registered office of KA Finance plc is ‘Project Technik’, Cannon Road, Qormi QRM 9032, Malta.

10 Financial assets at fair value through other comprehensive income

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Balance at 1 January/31 December	36,736	36,736	36,736	36,736

The company has unquoted investments in the following companies:

Name	Nature of business	% ownership	
		2021	2020
BIFF Limited	Construction, reconstruction, alterations, furnishing, maintenance and other services related to the building and construction industry	7	7
Refill Limited	Holding shares or other interests in, or securities of any other company	33	33

The registered office of Biff Limited is Lead Business Centre, Triq L-Intrapriza, Zone 4, Central Business District, Birkirkara CBD 4080, Malta. The registered office of Refill Limited is 'Project Technik', Cannon Road, Qormi QRM 9032, Malta.

11 Trade and other receivables

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current				
Amounts owed by related parties	72,967	67,075	72,967	67,075
Financial assets	72,967	67,075	72,967	67,075
Current				
Trade receivables	62,681	94,813	62,681	94,813
Other receivables	33,982	33,982	33,982	33,982
Financial assets	96,663	128,795	96,663	128,795
Indirect taxation	98,364	85,305	98,364	85,305
Advance payments	51,949	8,234	51,949	8,234
Prepayments	25,563	16,369	14,458	11,045
Trade and other receivables – current	272,539	238,703	261,434	233,379
Trade and other receivables	345,506	305,778	334,401	300,454

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

Amounts owed by related parties are unsecured, interest free and have no fixed repayment date.

12 Cash and cash equivalents

Cash and cash equivalents include the following component:

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Cash at bank	216,670	214,993	215,868	54,697

The group did not have any restrictions on its bank balances at year end.

13 Share capital

The share capital of K.A. Holdings Limited 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 K.A. Holdings Limited.

	2021 €	2020 €
Shares issued and fully paid at 31 December		
150,000 ordinary shares of € 1 each	150,000	150,000
Shares authorised at 31 December		
150,000 ordinary shares of € 1 each	150,000	150,000

14 Borrowings

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Bank loan				
Amounts falling due within one year	175,447	160,991	175,447	160,991
Amounts due after more than 1 year	2,619,166	1,904,185	2,619,166	1,904,185
Total borrowings	2,794,613	2,065,176	2,794,613	2,065,176

The company's facilities comprise of a loan of € 2,500,000 and € 150,000. The € 2.5 million loan is secured by general hypothecary guarantee over the company's assets, special hypothec on Block Centric built over plots C and D, Triq il-Palazz l-Ahmar, Santa Venera and a pledge on comprehensive insurance policy covering the full replacement property to be hypothecated. The loan bears interest at 5.25% per annum. The loan is repayable over 15 years through 180 monthly repayments of € 20,193 inclusive of interest. Starting January 2020, the repayment of principal amounting to € 242,316 is to be done every January of each year.

The € 150,000 loan relates to COVID-19 assistance from Malta Development Bank thru the Bank of Valletta. The loan bears interest at 2.5% per annum and is repayable over 6 years through monthly repayments of € 2,468 inclusive of interest for the first 18 months following 6 months moratorium period and 48 monthly repayments of € 2,481 inclusive of interest for the final 4 years.

On 5th March 2021, the Company signed a sanction letter with FCM Bank Limited, for the opening of bank loan facilities amounting to up to €1,000,000 and €200,000, respectively. The first loan was obtained to end finance finishing costs at Centris II, while the second loan was obtained to end finance finishes and furniture costs for the Swieqi apartments. The loan bears interest at 4.3% per annum. The loan is to be settled in full within a maximum of 84 months from first drawdown. Capital moratorium for the initial 12 months will be given. Thereafter, the facilities are reduced at €15,816 and €3,162 respectively, per month. The loans are secured by general hypothec over the present and future assets of K.A. Holdings Limited; and special hypothec and privilege over Il-Giardino, Triq il-Hawt, Swieqi.

The carrying value of borrowings is considered a reasonable approximation of fair value.

15 Debt securities in issue

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
4.75% Secured Callable Bonds redeemable 2026 - 2029				
Amounts falling due within one year	103,849	102,288	-	-
Amounts falling due after more than one year	5,890,476	5,867,216	-	-
	5,994,325	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 €5,994,326 (2020: €5,969,504). The market value of the debt securities on the last day before the reporting date was €5,700,000 (2020: €6,000,000).

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 € 143,668 directly related to the bond issue are being amortised over the life of the bond.

At 31 December 2021, proceeds from the bond issuance of € 5,892,784 (2020: € 5,660,609) 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:

	2021 €	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	(143,696)	(153,696)
Net proceeds from issuance	5,856,304	5,846,304
Accumulated amortisation at 1 January	20,912	5,516
Amortisation of bond issue costs	13,260	15,396
Accumulated amortisation at 31 December	34,172	20,912
Unamortised bond issue costs	(109,524)	(132,784)
Interest accrued as at 31 December	103,849	102,288
Amortised cost and carrying amount	5,994,325	5,969,504

16 Trade and other payables

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Non-current				
Amounts owed to related companies	-	812,320	5,892,784	6,472,928
Security deposits	518,257	450,173	518,257	450,173
Financial liabilities	518,257	1,262,493	6,411,041	6,923,101
Current				
Trade payables	342,696	244,215	327,894	239,425
Amounts owed to related companies	1,239,105	187,065	1,410,112	293,265
Due to shareholder	452,377	452,377	452,377	452,377
Accrued expenses	117,138	318,645	110,538	431,672
Other payables	31,430	4,788	31,430	4,788
Financial liabilities	2,182,746	1,207,090	2,332,351	1,421,527
Indirect taxation	5,480	-	-	-
Deferred income	49,077	29,281	49,077	29,281
Statutory payables	1,235	20,329	453	2,707
Trade and other payables - current	2,238,538	1,256,700	2,381,881	1,453,515
Total trade and other payables	2,756,795	2,519,193	8,792,922	8,376,616

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

Amounts owed to related companies include: (i) an amount of € 426,785 (2020: € 187,065) which is unsecured, interest free and repayable within one year, and (ii) an amount of € 812,320 (2020: € 812,320) which is unsecured, interest free and repayable on demand.

Included in the company's amounts owed to related companies are amounts due to KA Finance plc of € 5,892,784 (2020: 5,660,609) which are secured, repayable after more than 5 years and bear interest equal to that of the interest payable on debt securities in issue.

Amount due to shareholder of € 452,377 (2020: € 452,377) is unsecured, interest free and repayable on demand.

Security deposits are amounts received from tenants in connection to the property being leased out by the company. These are to be repaid upon termination of the lease agreements and are presented within non-current trade and other payables in the statement of financial position.

17 Deferred tax liability

Deferred tax liability arising from temporary difference is summarised as follows:

	1 January €	Recognised in profit or loss €	31 December €
2021			
Investment property	2,175,559	105,892	2,281,451
2020			
Investment property	1,644,079	531,480	2,175,559

18 Cash flow adjustments and changes in working capital

The following cash flow adjustments and changes in working capital have been made to profit for the year to arrive at operating cash flow:

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Adjustments:				
Interest expense	266,993	104,855	266,993	104,855
Amortisation of intangibles	850	850	850	850
Fair value gains on investment property	(112,393)	(4,026,644)	(112,393)	(4,026,644)
	155,450	(3,920,939)	155,450	(3,920,939)
Net changes in working capital:				
Change in trade and other receivables	(39,728)	(103,512)	(33,947)	(98,193)
Change in trade and other payables	228,930	358,238	416,306	2,496,956
	189,202	254,726	382,359	2,398,763

19 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. Amounts owed by/to related parties are shown separately in notes 11 and 16.

19.1 Transactions with key management personnel

The Company and Group'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.

19.2 Transactions with related parties

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Finishing works charged by related company	213,419	351,819	213,419	351,819
Wages charged by related company	63,175	24,000	63,175	24,000
Management fees	-	-	73,642	71,739
Recharges	-	-	13,260	15,396
Finance cost	-	-	285,000	285,000

20 Contingent liabilities

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Guarantees given on behalf of related company	2,893,207	2,893,207	2,893,207	2,893,207
	2,893,207	2,893,207	2,893,207	2,893,207

21 Fair value measurement of non-financial assets

The fair values of the company's investment properties located in Mriehel, Swieqi and Gzira totalling € 28.5 million as at 30 December 2021 were determined based on valuation performed by an independent, professionally-qualified property architect and is classified within Level 3 of the fair value hierarchy. The significant inputs and assumptions are developed in close consultation with management. The valuation process and fair value changes are reviewed by the Director at each reporting date.

The valuation was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question, including condition of property, the interest held, the nature and conditions prevalent in the market at the date of valuation, location, permissible use, size and age. The property was revalued on 30 December 2020. An assessment of the fair value of investment properties was performed internally to reflect market conditions to arrive at the fair value as at 31 December 2021.

The significant unobservable input is the adjustment for factors specific to the property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

22 Risk management objectives and policies

The group is exposed to credit risk, liquidity risk and market risk through its use of financial instruments. The group's risk management is coordinated by the director.

The financial risks to which the group may be exposed are described below.

22.1 Credit risk

The group'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	Group		Company	
		2021 €	2020 €	2021 €	2020 €
Classes of financial assets – carrying amounts					
Financial assets at fair value through other comprehensive income	10	36,736	36,736	36,736	36,736
Amounts owed by related parties	11	72,967	67,075	72,967	67,075
Trade and other receivables	11	96,663	128,795	96,663	128,795
Cash and cash equivalents	12	216,670	214,993	215,868	54,697
		423,036	447,599	422,234	287,303

The group's management considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the group's financial assets are secured by collateral or other credit enhancements.

The group's concentration to credit risk arising from trade receivables and amounts owed by related parties are considered limited as there were no indications that these counterparties are unable to meet their 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 group.

Cash at bank is placed with reliable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

22.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings, debt securities in issue and trade and other payables (see notes 14, 15 and 16). The group has the financial support of its shareholder and related parties to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due. The group's exposure to liquidity risk is therefore limited.

At 31 December 2021, the group's financial liabilities have contractual maturities which are summarised below:

	Current €	Non-current €
Bank loans	175,447	2,619,166
Debt securities in issue	103,849	5,890,476
Amounts due to related companies	1,239,105	-
Due to shareholder	452,377	-
Trade and other payables	491,264	518,257
	2,462,042	9,027,899

As at 31 December 2020, the group's financial liabilities have contractual maturities as summarised below:

	Current	Non-current
	€	€
Bank loans	160,991	1,904,185
Debt securities in issue	102,288	5,867,216
Amounts due to related companies	187,065	812,320
Due to shareholder	452,377	-
Trade and other payables	567,648	450,173
	1,470,369	9,033,894

22.3 Foreign currency risk

Due to the fact that the group does not have any foreign currency transactions, it is not exposed to currency fluctuations.

22.4 Interest rate risk

The company's exposure to interest rate risk is limited to the variable interest rate of bank borrowings.

Changes in interest rates of +/- 1% (2020: +/-1%) are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments, held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The potential impact on the profit for the year and equity of such a shift in interest rates would be of € 27,945 (2020: € 20,652).

22.5 Summary of financial assets and liabilities by category

The carrying amounts of the group's and 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 4.9 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Non-current assets				
Financial assets at fair value through other comprehensive income	36,736	36,736	36,736	36,736
Amounts owed by related parties	72,967	67,075	72,967	67,075
	109,703	103,811	109,703	103,811
Current assets				
Financial assets measured at amortised cost:				
- Trade and other receivables	96,663	128,795	96,663	128,795
- Cash and cash equivalents	216,670	214,993	215,868	54,697
	313,333	343,788	312,531	183,492
Non-current liabilities				
Financial liabilities measured at amortised cost:				
- Bank borrowings	2,619,166	1,904,185	2,619,166	1,904,185
- Debt securities in issue	5,890,476	5,867,216	-	-
- Trade and other payables	518,257	1,262,493	6,411,041	6,923,101
	9,027,899	9,033,894	9,030,207	8,827,286
Current liabilities				
Financial liabilities measured at amortised cost:				
- Bank borrowings	175,447	160,991	175,447	160,991
- Debt securities in issue	103,849	102,288	-	-
- Trade and other payables	2,182,746	1,207,090	2,332,351	1,421,527
	2,462,042	1,470,369	2,507,798	1,582,518

23 Ultimate controlling party

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

24 Capital management policies and procedures

The group'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.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

The group monitors the level of debt, which includes bank loans, debt securities in issue 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.

25 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Short-term borrowings €	Long-term borrowings €	Debt securities €	Total €
At 1 January 2021	160,991	1,904,185	5,867,216	7,932,392
Cash flows				
- Repayment	(160,991)	-	-	(160,991)
- Interest paid	-	(106,558)	(285,000)	(391,558)
- Proceeds	-	890,428	-	890,428
Non-cash				
- Interest charged	-	106,558	285,000	391,558
- Reclassification	155,807	(155,807)	10,000	10,000
- Amortisation of transaction costs	-	-	13,260	13,260
At 31 December 2021	155,807	2,638,806	5,890,476	8,685,089
	Short-term borrowings €	Long-term borrowings €	Debt securities €	Total €
At 1 January 2020	232,602	1,916,113	5,851,820	8,000,535
Cash flows				
- Repayment	(233,539)	-	-	(233,539)
- Interest paid	-	(104,855)	(285,000)	(389,855)
- Proceeds	150,000	-	-	150,000
Non-cash				
- Interest charged	-	104,855	285,000	389,855
- Reclassification	11,928	(11,928)	-	-
- Amortisation of transaction costs	-	-	15,396	15,396
At 31 December 2020	160,991	1,904,185	5,867,216	7,932,392

26 Effects of COVID-19 Pandemic

The Company and Group directors recognise that the Company 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 Company and its business, at least with respect to the current financial year. The Company and Group directors continually monitor the operation of the Company and are satisfied that the Company is expected to generate sufficient revenues to meet all its payment obligations.

27 Post-reporting date events

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

Independent auditor's report

To the shareholders of K.A. Holdings Limited

Report on the audit of the financial statement

Opinion

We have audited the financial statements of K.A. Holdings Limited (the “Company”) and of the Group of which it is the parent, set out on pages 6 to 33 which comprise the statements of financial position as at 31 December 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information..

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, 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.

Other information

The director is responsible for the other information. The other information comprises the director’s report shown on pages 2 to 5, and statement of director’s responsibilities shown on page 6, 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 director's report, we also considered whether the director's 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the director's report has been prepared in accordance with the 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 director is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The director is 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. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and overall economy.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Report on other legal and regulatory requirements

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; or
- 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.

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**

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Triq L-Intornjatur, Zone 1
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Birkirkara CBD 3000
Malta

12 April 2022

Statements of comprehensive income schedule

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Revenue				
Rental income	838,485	672,227	838,485	672,227
Recharge costs	108,509	92,431	108,509	92,431
Fair value gains on investment property	112,393	4,026,644	112,393	4,026,644
	1,059,387	4,791,302	1,059,387	4,791,302
Administrative expenses				
Directors' salaries	81,108	63,000	36,028	18,000
Wages and salaries	838	5,112	-	-
Audit and accountancy fees	19,169	10,800	11,295	4,800
Bank charges	1,581	3,231	796	1,798
Commissions	19,199	2,368	19,199	2,368
Advertising	590	4,400	590	4,400
Printing, postage and stationery	290	1,154	290	1,126
Repairs and maintenance	4,086	6,021	4,086	6,021
Subscriptions and licences	8,599	13,774	660	7,327
Wages and Salaries	63,175	24,000	63,175	24,000
Telecommunications	2,343	1,457	2,343	1,457
Water and electricity	56,435	47,108	56,435	47,108
Legal and professional fees	22,488	23,063	90,802	90,789
Recruitment cost	9,000		9,000	
General expenses	1,299	25	958	25
Insurance	11,127	5,807	7,114	3,508
Depreciation	850	850	850	850
Cleaning expenses	15,767	14,784	15,767	14,784
	317,944	226,954	319,388	228,361
Finance costs				
Interest expense	266,993	104,855	266,993	104,855
	266,993	104,855	266,993	104,855
Profit before tax	474,450	4,459,493	473,006	4,458,086