

Harbour (APM) Investments Ltd

Report & Financial Statements

31 December 2021

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General information

Registration

Harbour (APM) Investments Ltd is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 58453.

Director

Mr Carmelo sive Melo Hili

Registered office

Harbour (APM) Investments Ltd
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000
Malta

Auditor

Grant Thornton
Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company 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 will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income statement

For the year ended 31st December 2021

	Note	2021 €	2020 €
Rental income		25,874	8
Administrative expenses		(21,863)	(18,406)
Finance income		60,885	86,090
Finance costs		(2,426)	(28,669)
Profit before tax	4	62,470	39,023
Income tax expense		(27,705)	(20,100)
Profit for the year		34,765	18,923

Balance sheet

As at 31st December 2021

	Notes	2021 €	2020 €
Assets			
Non-current			
Investment property	5	25,757,484	25,507,484
Loans and receivables	6	-	1,721,802
		25,757,484	27,229,286
Current			
Loans and receivables	6	1,274,138	491,451
Other receivables		3,630	5,960
Cash and cash equivalents		197,923	456
		1,475,691	497,867
Total assets		27,233,175	27,727,153

Balance sheet

As at 31st December 2021

	Notes	2021 €	2020 €
Equity			
Share capital		22,331,200	22,331,200
Shareholder's loan		678,000	-
Retained earnings		674,834	640,069
Revaluation reserve	10	762,763	532,763
Total equity		24,446,797	23,504,032
Liabilities			
Non-current			
Other financial liabilities	9	288,965	288,965
Deferred tax liabilities		2,060,000	2,040,000
		2,348,965	2,328,965
Current			
Other payables	7	23,091	12,101
Bank borrowings	8	-	234,543
Other financial liabilities	9	400,486	1,638,442
Current tax liability		13,836	9,070
		437,413	1,894,156
Total liabilities		2,786,378	4,223,121
Total equity and liabilities		27,233,175	27,727,153

The financial statements on pages 4 to 13 were approved by the director, authorised for issue, and signed on 28 March 2022.

Carmelo sive Melo Hili
Director

Notes to the financial statements

1 Basis of preparation

1.1 Company information and basis of preparation

Harbour (APM) Investments Ltd (the “Company”) is a limited liability company incorporated in Malta with registration number C58453. The registered address of the Company is Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta. The Company’s principal activity is to purchase or otherwise acquire, hold and manage movable and immovable property or other assets.

The financial statements of the Company have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (“GAPSME”). The financial statements have been prepared on the historical cost basis except for investment property which is carried at its fair value. These financial statements present information about the Company as an individual undertaking.

1.2 Functional and presentation currency

The financial statements are presented in euro (€), which is also the Company’s functional currency.

2 Going concern

The financial statements have been drawn up on a going concern basis. At 31 December 2021, the Company had net current assets of € 1,038,278 (2020: net current liability of € 1,396,289).

Based on the foregoing, the director considers it appropriate to prepare the financial statements on a going concern basis.

3 Significant accounting policies

3.1 Administrative expenses

Administrative expenses are recognized in the income statement upon utilization of the service or at the date of origin.

3.2 Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is recognised on an accrual or time proportion basis.

3.3 Rental income

Rental income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Rental income from investment property is recognised in profit or loss on a straight-line basis over the lease term.

3.4 Borrowing costs

Borrowing costs, including those costs that are directly attributable to the acquisition, construction or production of qualifying assets, are recognised as an expense in profit or loss in the period in which they are incurred.

3.5 Investment property

Investment property is property (land and building) held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services or for administrative purposes. 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 Company and the cost can be measured reliably. Investment property is initially measured at cost, comprising its purchase price and any directly attributable costs. After initial recognition, investment property held by the Company is carried under the fair value model, that is at fair value at the revaluation date less any accumulated depreciation, with changes in fair value above the historical cost of the investment property being recognised in a separate component of equity under the heading of fair value reserve.

Depreciation is calculated to write down the carrying amount of assets over their expected useful lives and is charged to profit or loss. Land is not depreciated.

3.6 Financial assets, financial liabilities and equity

A financial asset or a financial liability is recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

i. Loans and receivables

Loans and receivables are classified within current and non-current assets and are stated at their nominal value unless the effect of discounting is material in which case loans and receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

ii. Other financial liabilities

Other financial liabilities are initially measured at fair value plus transaction costs that are directly attributable. After initial recognition, the Company's financial liabilities are measured at amortised cost.

iii. Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at their face value due to their market rate of interest.

iv. Other payables

Other payables are classified within current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade and other payables are measured at amortised cost using the effective interest method.

v. Share capital

Ordinary shares issued by the Company are classified as equity. Dividends to ordinary shareholders are debited directly to equity and are recognised as liabilities in the period in which they are declared.

3.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

i. Operating leases

Capitalised assets held for use in operating leases are tested for impairment in accordance with the company's accounting policy on impairment and depreciated in accordance with the company's accounting policy on investment property. Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term unless another systematic and rational basis is more appropriate.

3.8 Impairment

The Company's investment property and financial assets are tested for impairment.

i. Investment property

The carrying amount of the Company's investment property is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The carrying amounts of Company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

ii. Financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3.9 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

3.10 Cash and cash equivalents

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

4 Profit before tax

The profit before tax for the year is stated after charging:

	2021 €	2020 €
Auditor's remuneration	3,000	2,850

5 Investment property

	2021 €	2020 €
Fair value		
At 1 January 2021	25,507,484	25,507,484
Increase in fair value	250,000	-
At 31 December 2021	25,757,484	25,507,484
Carrying amount at 31 December	25,757,484	25,507,484

The Company's investment property consists of land. In determining the fair value of the investment property at 31 December 2021, the director has taken into consideration a recent valuation carried out by an independent professionally qualified valuer on the basis of market value and is stated gross of any tax liability that would arise if the property is transferred.

The property was held as security against bank loans taken out by the Company (refer to note 8) and by a related party. The bank loan was repaid on 17 May 2021.

6 Loans and receivables

	2021 €	2020 €
Amounts owed by a related party	1,274,138	2,213,253
	1,274,138	2,213,253
Less: amount expected to be settled within 12 months (shown under current assets)	(1,274,138)	(491,451)
Amount expected to be settled after 12 months (shown under non-current assets)	-	1,721,802

The amounts owed by a related party are unsecured, repayable within twelve months and bear interest at the rate of 5% per annum. No interest is charged on the accumulated interest receivable.

7 Other payables

	2021 €	2020 €
Other payables	9,912	1,911
Accruals and deferred income	13,179	10,190
	23,091	12,101

8 Bank borrowings

	2021 €	2020 €
Bank loan	-	234,543
Less amount due for settlement within 12 months (shown under current liabilities)	-	(234,543)
Amount due for settlement after 12 months (shown under non-current liabilities)	-	-

The interest rate is charged at 4.85% per annum. This bank loan was secured by a special hypothec over the investment property of the Company, a general hypothec over all the Company's present and future assets and a guarantee provided by a related party. The bank loan was repaid on 17 May 2021.

9 Other financial liabilities

	2021 €	2020 €
Amounts owed to shareholder	-	796,947
Amounts owed to related parties	689,451	1,130,460
	689,451	1,927,407
Less amount due for settlement within 12 months (shown under current liabilities)	(400,486)	(1,638,442)
Amount due for settlement after 12 months (shown under non-current liabilities)	288,965	288,965

The terms and conditions of the above amounts are unsecured and interest free. The Company, however, has an unconditional right to defer settlement of the amount of € 288,965 (2020: € 288,965) for at least twelve months after the end of the reporting period. The remaining amount of € 400,486 (2020: € 1,638,442) is repayable on demand.

10 Revaluation reserve

	2021 €	2020 €
Balance at 1 January	532,763	532,763
Fair value gain	250,000	-
Deferred taxation thereon	(20,000)	-
Balance at 31 December	<u>762,763</u>	<u>532,763</u>

The revaluation reserve is not available for distribution to the company's shareholder.

11 Related party disclosures

The parent company of Harbour (APM) Investments Ltd is APM Holdings Limited which is incorporated in Malta. The Company's related parties include its shareholder, director and other related companies.

During 2021, shareholder's loans payable amounting to € 678,000 were earmarked for capitalisation and has been classified under equity. These loans have been capitalised in 2022.

Outstanding related party balances are shown separately under notes 6 and 9.

12 Guarantee

During 2015, the Company, together with Hili Estates Limited, issued a guarantee jointly and severally with Hili Properties p.l.c. (the issuer), whereby the guarantors irrevocably and unconditionally guaranteed the due and punctual performance of all the obligations undertaken by the issuer to bondholders under the € 37,000,000 4.5% Unsecured Bonds 2025, which were issued in 2015.

The company also has contingent liabilities as guarantor as follow:

	2021 €	2020 €
Special hypothecary guarantee	9,750,000	9,750,000
General hypothecary guarantee	19,750,000	19,750,000
Guarantee	12,275,000	12,275,000
	<u>41,775,000</u>	<u>41,775,000</u>

13 Post reporting date event

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

Independent auditor's report

To the shareholder of Harbour (APM) Investments Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Harbour (APM) Investments Ltd set out on pages 4 to 13 which comprise the balance sheet as at 31 December 2021, and the income statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"), 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.

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 GAPSME 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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28 March 2022