Harbour (APM) Investments Ltd

Report & Financial Statements

31 December 2022

Company registration number: C 58453

Contents

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.

Directors

Georgios Kakouras (appointed on 29 April 2022)
Julian Caruana (appointed on 4 November 2022)
Carmelo Hili (resigned on 29 April 2022)

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 2022

	Note	2022	2021
		€	€
Rental income		35,011	25,874
Administrative expenses		(66,501)	(21,863)
Finance income		36,090	60,885
Finance costs		-	(2,426)
Investment loss		(7,484)	-
(Loss) profit before tax	4	**(2,884)**	**62,470**
Income tax expense		(22,435)	(27,705)
(Loss) profit for the year		**(25,319)**	**34,765**

Balance sheet
As at 31st December 2022

	Notes	2022	2021
		€	€
Assets			
Non-current			
Investment property	5	25,750,000	25,757,484
Loans and receivables	6	1,283,037	-
		27,033,037	**25,757,484**
Current			
Loans and receivables	6	25,991	1,274,138
Other receivables		1,270	3,630
Cash and cash equivalents		204,247	197,923
		231,508	**1,475,691**
Total assets		**27,264,545**	**27,233,175**

Balance sheet
As at 31st December 2022

	Notes	2022	2021
		€	€
Equity			
Share capital		23,009,200	22,331,200
Shareholder's loan		-	678,000
Retained earnings		656,999	674,834
Revaluation reserve	9	755,279	762,763
Total equity		**24,421,478**	**24,446,797**
Liabilities			
Non-current			
Other financial liabilities	8	689,451	288,965
Deferred tax liabilities		2,060,000	2,060,000
		2,749,451	**2,348,965**
Current			
Other payables	7	81,231	23,091
Other financial liabilities	8	-	400,486
Current tax liability		12,385	13,836
		93,616	**437,413**
Total liabilities		**2,843,067**	**2,786,378**
Total equity and liabilities		**27,264,545**	**27,233,175**

The financial statements on pages 4 to 13 were approved by the directors, authorised for issue, and signed on 14 April 2023.

Georgios Kakouras
Director

Julian Caruana
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 2022, the Company had net current assets of € 137,892 (2021: € 1,038,278).

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 (Loss) profit before tax

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

	2022	2021
	€	€
Auditor's remuneration	3,150	3,000

5 Investment property

	2022	2021
	€	€
Fair value		
At 1 January	25,757,484	25,757,484
Decrease in fair value	(7,484)	-
At 31 December	**25,750,000**	25,757,484
Carrying amount at 31 December	**25,750,000**	25,757,484

The Company's investment property consists of land. In December 2022, 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 comparisons of recent sales transactions involving comparable properties in Malta, together with experience of the architect in such valuations and analysis of data available on the property market.

6 Loans and receivables

	2022	2021
	€	€
Amounts owed by parent company	1,309,028	1,274,138
	1,309,028	1,274,138
Less: amount expected to be settled within 12 months (shown under current assets)	(25,991)	(1,274,138)
Amount expected to be settled after 12 months (shown under non-current assets)	**1,283,037**	-

The amounts owed by the parent company 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

	2022	2021
	€	€
Other payables	12,599	9,912
Accruals and deferred income	68,632	13,179
	81,231	23,091

8 Other financial liabilities

	2022	2021
	€	€
Amounts owed to parent company	689,451	689,451
	689,451	689,451
Less amount due for settlement within 12 months (shown under current liabilities)	-	(400,486)
Amount due for settlement after 12 months (shown under non-current liabilities)	**689,451**	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 € 689,451 (2021: € 288,965) for at least twelve months after the end of the reporting period. The remaining amount in prior year of € 400,486 was repayable on demand.

9 Revaluation reserve

	2022	2021
	€	€
Balance at 1 January	**762,763**	532,763
Fair value (loss) gain	(7,484)	250,000
Deferred taxation thereon	-	(20,000)
Balance at 31 December	**755,279**	**762,763**

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

10 Related party disclosures

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

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

Outstanding related party balances are shown separately under notes 6 and 8.

11 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.

12 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.