Harbour (APM) Investments Ltd.

Report & Financial Statements

31 December 2018

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.

Director

Mr Carmelo Hili

Registered office

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

Auditor

Grant Thornton
Fort Business Centre
Mriehel Bypass
Birkirkara BKR 3000
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 them 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 directors determine 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

	Note	2018	2017
		€	€
Administrative expenses		(7,013)	(8,412)
Finance costs		(55,079)	(66,618)
Operating loss		**(62,092)**	**(75,030)**
Finance income		89,090	86,091
Profit before tax		**26,998**	**11,061**
Income tax expense		(11,904)	(6,734)
Profit for the year	3	**15,094**	**4,327**

Balance sheet

	Notes	2018 €	2017 €
Assets			
Non-current			
Investment property	4	25,007,484	25,007,484
Loans and receivables	5	1,721,802	1,721,802
		26,729,286	**26,729,286**
Current			
Loans and receivables	5	322,271	233,181
Cash and cash equivalents		1,153	1,253
		323,424	**234,434**
Total assets		**27,052,710**	**26,963,720**

Balance sheet – continued

	Notes	2018	2017
		€	€
Equity			
Share capital		22,331,200	22,331,200
Retained earnings		600,852	585,758
Revaluation reserve		72,763	72,763
Total equity		**23,004,815**	**22,989,721**
Liabilities			
Non-current			
Other financial liabilities	8	288,965	288,965
Bank loan	7	749,513	995,275
Deferred tax liabilities		2,000,000	2,000,000
		3,038,478	**3,284,240**
Current			
Other payables	6	6,327	9,251
Other financial liabilities	8	745,481	439,057
Bank loan	7	246,358	234,717
Current tax liability		11,251	6,734
		1,009,417	**689,759**
Total liabilities		**4,047,895**	**3,973,999**
Total equity and liabilities		**27,052,710**	**26,963,720**

The financial statements on pages 4 to 12 were approved by the director, authorised for issue, and signed on 24 April 2019

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. 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. The company's principal activity is to purchase or otherwise acquire, hold and manage movable and immovable property or other assets.

The financial statements have been prepared on the historical cost basis, except for investment property which is stated at its fair value, and in accordance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (hereafter referred to as "GAPSE").

1.2 Functional and presentation currency

The financial statements are presented in euro (€), which is the company's functional currency.

2 Significant accounting policies

2.1 Administrative expenses

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

2.2 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 properly 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 profit or loss 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 profit or loss in the period of derecognition.

2.3 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. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

ii. Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

iii. Bank loan

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method.

iv. Other payables

Other payables are classified within current liabilities and are stated at their nominal value.

v. Share capital

Ordinary shares issued by the company are classified as equity instruments.

2.4 Impairment testing on investment property

The carrying amounts of the company's investment property are assessed 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 assessed 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.

If there is an objective evidence that an impairment loss on financial assets carried at amortised 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.

2.5 Impairment testing on 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.

2.6 Taxation

Tax expense recognised in the income statement comprises the sum of deferred tax and current tax not recognised 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.

In addition, tax losses available to be carried forward are assessed for recognition of deferred tax asset.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

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

2.7 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks.

3 Profit for the year

The profit for the year is stated after charging:

	2018	2017
	€	€
Auditor's remuneration	2,500	1,650

4 Investment property

	€
Fair value	
At 1 January 2017 and 1 January 2018	25,007,484
Carrying amount	
At 31 December 2017	25,007,484
At 31 December 2018	**25,007,484**

In determining the fair value of the investment property in December 2018, 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 had the property to be remeasured to fair value. The director is of the opinion that the fair value has not altered since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2018.

The property is held as security against bank loans taken out by the Company (refer to note 7) and by a related party.

This investment property represents a distinctive large parcel of agricultural land in Malta which is situated in an area which has been specifically reserved for commercial development and industrial use. The company is currently in the process of securing development permits. In determining the fair value measurement, the valuer has taken into consideration location as well as the development opportunities of this land. The valuer also took into consideration, to a certain extent, market transactions of land with similar characteristics situated in the vicinity and also the market value of agricultural land with development opportunities, as obtained from various sources, although direct comparable are not readily available. Based on these various unobservable inputs, the determined market value per square metre ranges between € 40 and € 500. The higher the rate per square metre, the higher the fair value.

5 Loans and receivables

	2018	2017
	€	€
Amounts owed by a related party	2,044,073	1,954,983
	2,044,073	**1,954,983**
Less: amount expected to be settled within 12 months (shown under current assets)	(322,271)	(233,181)
Amount expected to be settled after 12 months (shown under non-current assets)	**1,721,802**	**1,721,802**

Amount owed by a related party amounting to € 2,044,073 (2017: € 1,954,983) bears an interest at the rate of 5% per annum; € 1,721,802 of which are not expected to be realised within twelve months after the end of the reporting period.

6 Other payables

	2018	2017
	€	€
Other payables	3,000	6,596
Accruals	3,327	2,655
	6,327	**9,251**

7 Bank loan

	2018	2017
	€	€
Bank loan	**995,871**	**1,229,992**
Less amount due for settlement within 12 months (shown under current liabilities)	(246,358)	(234,717)
	749,513	**995,275**

Bank loan is repayable as follows:

	2018	2017
	€	€
On demand within one year	246,358	234,717
In the second year	749,513	246,358
In the third year	-	748,917
	995,871	1,229,992

The interest rate is presently charged at 4.85% per annum. This bank loan is 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 is repayable until 17 April 2020.

8 Other financial liabilities

	2018	2017
	€	€
Amounts owed to shareholder	733,752	429,240
Amounts owed to related parties	300,694	298,782
	1,034,446	**728,022**
Less amount due for settlement within 12 months (shown under current liabilities)	(745,481)	(439,057)
Amount due for settlement after 12 months	**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 (2017: € 288,965) for at least twelve months after the end of the reporting period. The remaining amount of € 745,481 (2017: € 439,057) is repayable on demand.

9 Revaluation reserve

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

10 Related party disclosures

At 31 December 2018 and 2017, the parent company of Harbour (APM) Investments Limited was APM Holdings Limited which is incorporated in Malta.

The company's investment property (note 4) was acquired from related parties during 2013. The amount due in respect of the property was assigned to the shareholder and was capitalised in 2016. This transaction therefore did not include the movement of cash and cash equivalents.

Transactions with related parties during the year are shown separately under notes 5 and 8.

11 Guarantee

During 2015, the company, together with Hili Estates Limited, issued a guarantee jointly and severally with Hill 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 Comparative figures

Certain comparative figures have been reclassified in order to comply with the current year's presentation of financial statements.

Independent auditor's report

To the shareholders 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 12 which comprise the balance sheet as at 31 December 2018, 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 2018, and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSE"), 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 GAPSE 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.
- 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 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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24 April 2019