WEST HAMILTON HOLDINGS LIMITED

2020

ANNUAL REPORT


WEST HAMILTON HOLDINGS LIMITED

CONTENTS

CHAIRMAN'S LETTER

West Hamilton Holdings Limited (the Company) was incorporated in 2007 as a public company listed on the Bermuda Stock Exchange (BSX). The Company owns 100 percent of the issued shares of West Hamilton Limited, the cash generating unit, land holding and property assets of the organisation. Since 2007, the Company redeveloped the property, diversifying it into rental office spaces, residential accommodation and a retrofitted car park, using the foundations designed for four office towers. Construction of the foundations were mostly completed, but further development of the plans was halted because of shrinking demand for office space. As a result, 1.6 acres of the total 2.1 acres remain underdeveloped.

COVID-19 is a new and evolving crisis, which has been labelled a pandemic by many countries and institutions, including the World Health Organisation. The full impact of COVID-19 is yet to be determined and, to date, has surprised most market observers by how, in a short period of time, it has wreaked havoc on the global economy as populations are ordered to stay home. As a result, many businesses have ground to a halt in order to stop its spread, while others have experienced significant growth by capitalizing on opportunities created by the pandemic. This has resulted in many businesses seeking alternative modes of operation and implementing measures to remain viable.

As a result of the pandemic, the Government had to take swift action to prevent the spread of the virus; it closed the normal functioning of the country and ordered everyone to stay at home for most of the second quarter 2020. Most businesses came to a halt, unemployment numbers increase rapidly, government borrowings increased, financial support systems were implemented and work from home became the new normal. While the country experienced several business failures, there were many, especially in the service sector, who conducted business differently with limited impact on their viability as a going concern.

Management's evaluation of the Company's ability to continue as a going concern is based on retention of the current level of cash generating units and control of expenditures, which are both relevant to meet its obligations as they become due within one year after the date of issue of the financial statements. The evaluation considers only relevant conditions and events that are known or can reasonably be ascertained in the determination of the impact on the Company as a going concern.

In evaluating the Company's ability to meet its obligations, management considered information about the following:

- The Company's current financial condition, including its liquidity sources at the date of the financial statements and the next fiscal year.
- The Company's conditional and unconditional obligations due or anticipated within one year after the financial year, including obligations not recognised in the entity's financial statements, if any.
- The funds necessary to maintain the Company's operations, considering its current cash available for use, obligations, and other expected cash flows within one year after the date that the financial statements are issued.
- Other conditions and events, when considered in conjunction with the items listed above, that may adversely affect the Company's ability to meet its obligations within one year after the financial statements are issued. Examples of adverse conditions and events include negative cash flows from operating activities, defaults on loans, denials of usual trade credit from suppliers, restructure debt to avoid default and a need to seek new sources or methods of financing or to dispose of substantial assets.
- Any legal proceedings, legislation or similar matters that might jeopardise the Company's ability to operate.

While many entities across a wide variety of industries faced extended closures, reduced access to customers, supply chain disruptions, difficulty collecting from customers, and other events that negatively affect operating cash flow, the Company was spared the brunt of these events. The results for fiscal 2020 were better than 2019 in terms of operating profit and cash flow. The current uncertainties continue to evolve and will make it difficult for the Company to evaluate the impact of COVID-19 on its ability to obtain, extend, or renew lease agreements.

In addition, other material adverse events, which could trigger adverse operating conditions resulting in negative cash flows could cause obligations to come due prematurely and other loan covenants violations. These types of extreme and unlikely events will be considered by management in the going concern analysis along with mitigation actions like selling property assets.

On the basis of current lease contracts, excluding those that will not renew in 2021, the Company will have sufficient cash flows to meet its obligations and alleviate any conditions that raise substantial doubt about the ability of the Company to continue as a going concern.

In 2020, a year of significant unforeseen challenges caused by the pandemic, the Company has produced another successful year. We continue to have high occupancy rates at all our property assets and benefit from our prime location in Hamilton. This is reflected in our strong financial results, in particular our cash generation, and the Board was delighted to recommend an increase to the Company's dividend by 13%, as well as declaring a special dividend paid from the sale proceeds of Ascendent shares. The commercial property market in Bermuda remains soft and, as such, the Directors had taken the decision that it would be prudent to look cautiously at further developing our property assets, although the market has been more optimistic in recent months.

The Belvedere Building, a landmark featuring old Bermudian architecture, well maintained, COVID-19 prepared and offering coveted office spaces to discerning tenants, has a high occupancy rate with vacant spaces on the first and fourth floors. We have had enquiries from a few prospective tenants, which will likely result in the available spaces on the third and fourth floors being rented to new start-up reinsurance companies. These potential new leases with current tenants renewed for 2021 will improve the occupancy rate.

The softness in the market pricing, perpetuated by over supply along with the new taxes on commercial leases introduced in 2019, will continue to pressure operating margin. However, we will focus on our core attributes, parking and location, to attract prospective clients and retain current tenants while accommodating their needs with the highest level of service. While the fundamentals of the market may be unfavourable, the cash generation of our business remains strong and the Company will remain viable with surplus cash to pay regular annual dividend to shareholders.

Since the completion of the Belvedere Residences in 2016, two units were sold and the remaining units were occupied by tenants with leases ranging from three to five years. The leases entered into by a large international company for three years recently expired but were renewed under same terms for a further period of years. During the first term of the renewal, the Company was served a termination notice for two units in the Residences Building to be vacated at the end of 2020.

The recent optimism in upscale residential market was evident from the number of enquiries for the units, which went under contract in October 2020 after being in the market for a few weeks. The demand for executive type residential accommodation is in high demand relative to office spaces, although both markets are expected to grow as the economy recovers from the devastations of the pandemic.

The location of this attractive mixed-use building, in the heart of Hamilton's international business district, and the quality of the executive style accommodation have proved very attractive to tenants and others that use the building daily. The Company is encouraged by the recent demand for residential spaces in the city and is working with property development partners to explore opportunities in this revived market.

The car parking facility was completed more than 10 years ago and it has been fully occupied since that time with a current waiting list of approximately 65 users. We anticipate that, given the location of the facility, full occupancy will continue despite a shrinking population of people working in international business, which is expected to grow in the years ahead.

On 24 July 2020, the land and building (69 Pitts Bay Road) and the construction in progress and car park (71 Pitts Bay Road) were valued by a Chartered Valuation Surveyor at $35 million. The valuation of $35 million was allocated to 69 Pitts Bay Road and 71 Pitts Bay Road as $12 million and $23 million, respectively. The valuation report contains assumptions regarding potential cash generation in the future, should the development plans be implemented for 71 Pitts Bay Road. Since the future development plans were put on hold, the expected cash generation will not be materialised. Consequently, the Company's auditor is of the opinion that the fair value of approximately $26 million for both 69 and 71 Pitts Bay Road represents a reasonable estimate. This resulted in the property assets being written down temporarily by $9.0 million.

Management accepted the change in accounting standards, which applies to all publicly traded companies and requires the Company's assets to be carried at fair value. As at 30 September 2020, a fair value for all Belvedere Properties of approximately $41.7 million was accepted by Management as a reasonable estimate, which resulted in a non-operating expense of $2.3 million. The Company's operating profit of $1.9 million was negatively affected by this paper transaction.

COMPANY HIGHLIGHTS

Gross income from operations

2020	$3.1 Million
2019	$3.2 Million

Operating expenses
{net of recoveries and movements in fair value}

2020	$0.86 Million
2019	$0.92 Million

Net income from operations
{excluding movements in fair value}

2020	$1.9 Million
2019	$1.7 Million

Net debt

2020	$10.8 Million
2019	$11.7 Million

Net loss

2020	$0.4 Million
2019	$8.8 Million

Loss per share

2020	$0.14
2019	$3.02

OFFICE SPACE

2020: 81.03%

2019: 80.9%

PARKING

2020: 100%

2019: 100%

PARKING WAITING LIST

2020: 65

2019: 90

FINANCIAL STATEMENTS

Income Statement

The Company's operating income for the year ended 30 September 2020 was $1.9 million (2019: $1.7 million) which is the highest reported operating income for the Company since inception. The Company adopted new reported standards which requires all property assets to be shown at current value and the resulting change in value between reporting periods is shown as operating income or expense. As a result of the change in accounting standard an amount of $2.3 million (2019: $10.4 million) was expensed at year end resulting in a net loss of $421,724 (2019: 8,777,704).

Total revenue for the period was $3.13 million (which is marginally below last year (2019: $3.16 million) and operating expenses before interest were $0.86 million (2019: $0.92 million). Operating income for the year increased by 13.87% owing to lower cost of maintenance services and reduced interest expense related to the reduction of the principal balance of the amortised bank loan along with a reduction in the interest rate. The efficiencies realized from better utilization of manpower and lower debt service costs were offset by higher land taxes and significantly higher fees payable to the government to stamp commercial rental leases.

While the top line revenue was flat in comparison to last year, the Company reported loss of $0.65 per share was significantly less than the loss of $3.02 reported last year. The return on equity, excluding the diminution of property value, was 5.56 percent during the period when the average borrowing rate was 3.45 percent. In addition, The Company retained high occupancy rates across all its property assets; 81% in the Belvedere Building and 100% in both the Belvedere Residences and the car parking facility.

Balance Sheet

The Company reported total shareholders' equity as at 30 September, 2020 of $33.96 million (September 2019: $34.78 million) a decrease of 2.4%. Last year the Company adopted a new accounting standard whereby the value of the Company's property assets is valued at fair value as opposed to depreciated cost basis. As such, the Company has had to include devaluation expense of $2.3 million and $10.4 million for 2020 and 2019, respectively. This non-operating expense resulted in a reduction of accumulated shareholders' equity.

Current assets, which include cash and other assets that could readily be converted into cash, totaled $2.64 million as at 30 September, 2020 compared with $2.01 million as at 30 September, 2019.

Total assets amounted to $45.30 million compared with $47.08 million as at 30 September, 2019, a significant decrease resulting mostly from the change in accounting standard mandating the reporting of property assets at fair value rather than amortized cost as reported In previous years. Book value per share at 30 September 2020 was $11.67 (30 September 2019: $11.96).

Cash Flow

During the year the Company generated cash from operations of $2.33 million which was used for building renovations, the partial repayment of the bank loan facility and loan interest for the year. During 2020 the Company paid a dividend of $0.49 million and added $0.51 million to cash reserve, increasing the balance at the end of the year to $1.51 million.

The Board of Directors is pleased to declare an increased annual dividend of $0.17 (2019: $0.15) per share and a special dividend of $0.15 per share to shareholders of record on 26th November 2020. Both dividends were paid on 15th December 2020.

In summary, the company has performed well in what has been undoubtedly a very difficult year managing the Covid-19 pandemic. Notwithstanding these challenges, the results remain strong as does cashflow and the Company's ability to declare both the annual dividend and special dividend are very pleasing accomplishments for our Shareholders. The commercial property market remains soft and as such the Directors are cautious but remain ready to move forward when development opportunities become favorable.

Recognising Our People: Thank You To Everyone

Our continued financial success relies on everyone involved with the Company. Without our valued clients, tenants, shareholders, contractors, engineers, architects, quantity surveyors, office team and Directors, we would not be in the position we are today. As we continue to respond to our context and navigate our future, we inform every decision with your expertise and influence. Thank you for your support and collaboration; I look forward to the year ahead.

J. MICHAEL COLLIER
CHAIRMAN

WEST HAMILTON HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(With Independent Auditor's Report Thereon)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

The accompanying report of KPMG is for the sole and exclusive use of the Company. No person, other than the Company, is authorised to reply upon the report of KPMG unless KPMG expressly so authorises. Furthermore, the report of KPMG is as of December 9, 2020 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of West Hamilton Holdings Limited

We have audited the accompanying consolidated financial statements of West Hamilton Holdings Limited (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2020 and 2019 and the related consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at September 30, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in accordance with IFRS.

KPMG

Emphasis of matter

As discussed in note 2(d) to the consolidated financial statements, in his valuation report dated July 30, 2020, the valuer has included a statement whereby he draws attention to a material uncertainty surrounding the valuation of the Company's investment properties due to the unprecedented set of circumstances caused by the Covid-19 pandemic. Our opinion is not qualified with respect to this matter.

Other matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The annual report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 17, 2020

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statements of Financial Position

As at September 30, 2020 and September 30, 2019
(Expressed in U.S. dollars)

	2020	2019
Assets		
Non-current assets		
Property, plant and equipment (Note 4)	$ 971,895	$ 1,069,925
Investment property (Note 5)	41,690,000	44,000,000
Total non-current assets	42,661,895	45,069,925
Current assets		
Cash and cash equivalents (Note 3 and 13)	1,506,546	994,112
Investments (Notes 6 and 13)	774,188	748,148
Accounts receivable (Note 13)	243,935	132,221
Prepaid expenses	115,382	131,000
Total current assets	2,640,051	2,005,481
Total assets	$ 45,301,946	$ 47,075,406
Equity		
Share capital (Note 9)	$ 2,909,553	$ 2,908,398
Share premium (Note 9)	7,825,404	7,819,961
Accumulated other comprehensive income (Note 9)	137,093	111,053
Retained earnings	23,085,937	23,943,921
Total equity	33,957,987	34,783,333
Liabilities		
Non-current liabilities		
Loans and borrowings (Notes 8, 13 and 18)	3,548,497	10,842,160
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 13)	215,716	171,170
Dividends payable	23,547	88,808
Refundable deposit on lease	45,975	36,000
Loans and borrowings (Notes 8, 13 and 18)	7,280,389	902,328
Deferred income	229,835	251,607
Total current liabilities	7,795,462	1,449,913
Total liabilities	11,343,959	12,292,073
Total equity and liabilities	$ 45,301,946	$ 47,075,406

The accompanying notes on pages 20 to 38 are an integral part of these consolidated financial statements

Signed on behalf of the Board

Director

Director

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statements of Profit and Loss and Other Comprehensive Income

Years ended September 30, 2020 and September 30, 2019
(Expressed in U.S. dollars)

	2020	2019
Income		
Rental income from investment property	$ 3,132,688	$ 3,158,935
Total income	3,132,688	3,158,935
Expenses		
Decrease in fair value of investment property (Note 5)	(2,310,000)	(10,435,420)
Depreciation (Note 4)	(121,890)	(127,873)
Maintenance, cleaning and wages (Note 12)	(170,967)	(148,584)
Professional fees (Note 17)	(324,820)	(277,752)
Insurance	(93,147)	(92,151)
Land taxes and other expenses	(107,325)	(185,247)
Utilities	(38,694)	(85,803)
Total expenses	(3,166,843)	(11,352,830)
Finance expense		
Dividend income	31,367	30,485
Interest expense	(418,936)	(614,294)
Net finance expense	(387,569)	(583,809)
Loss for the year (attributable to owners of the Company)	(421,724)	(8,777,704)
Other comprehensive income:		
Net change in fair value of available-for-sale investments (Note 6)	26,040	2,014
Total comprehensive loss for the year (attributable to owners of the Company)	$ (395,684)	$ (8,775,690)
Basic and diluted earnings per share (Note 11)	$ (0.14)	$ (3.02)

All items included in the consolidated statements of profit and loss and other comprehensive income relate to continuing operations.

The accompanying notes on pages 20 to 38 are an integral part of these consolidated financial statements

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statements of Changes in Equity

Years ended September 30, 2020 and September 30, 2019
(Expressed in U.S. dollars)

	Attributable to owners of the Company				
	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Total
Balance at October 1, 2019	$ 2,908,398	$ 7,819,961	$ 109,039	$ 32,721,625	$ 43,559,023
Loss for the year	–	–	–	(8,777,704)	(8,777,704)
Other comprehensive income:					
Net change in fair value of investments	–	–	2,014	–	2,014
Balance at September 30, 2019	2,908,398	7,819,961	111,053	23,943,921	34,783,333
Shares issued	1,155	5,443	–	–	6,598
Dividends declared	–	–	–	(436,260)	(436,260)
Loss for the year	–	–	–	(421,724)	(421,724)
Other comprehensive income:					
Net change in fair value of investments	–	–	26,040	–	26,040
Balance at September 30, 2020	$ 2,909,553	$ 7,825,404	$ 137,093	$ 23,085,937	$ 33,957,987

The accompanying notes on pages 20 to 38 are an integral part of these consolidated financial statements

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statements of Cash Flows

Years ended September 30, 2020 and September 30, 2019
(Expressed in U.S. dollars)

	2020	2019
Cash flows from operating activities		
Loss for the year	$ (421,724)	$ (8,777,704)
Adjustments for:		
Depreciation	121,890	127,873
Interest expense and dividend income	387,569	583,809
Decrease in the fair value of investment property	2,310,000	10,435,420
Changes in non-cash working capital balances:		
Deferred income	(21,772)	(18,687)
Accounts receivable	(111,714)	63,933
Pension surplus	–	7,090
Prepaid expenses	15,618	(52,307)
Refundable deposit	9,975	–
Accounts payable and accrued liabilities	44,546	(67,980)
Net cash provided by operating activities	2,334,388	2,301,447
Cash flows from investing activities		
Dividends received	31,367	30,485
Additions to property, plant and equipment	(23,860)	–
Additions to investment property	–	(185,420)
Net cash provided by (used in) investing activities	7,507	(154,935)
Cash flows from financing activities		
Repayment of bank loan	(915,602)	(965,277)
Interest paid	(418,936)	(614,294)
Dividends paid	(494,923)	(202,032)
Net cash used in financing activities	(1,829,461)	(1,781,603)
Net increase in cash and cash equivalents	512,434	364,909
Cash and cash equivalents at beginning of year	994,112	629,203
Cash and cash equivalents at end of year	$ 1,506,546	$ 994,112

The accompanying notes on pages 20 to 38 are an integral part of these consolidated financial statements

1. General

West Hamilton Holdings Limited and its subsidiaries (the "Company") was incorporated on May 14, 2007 under the laws of Bermuda and is the parent company of West Hamilton Limited ("WHL") and Belvedere Place A Limited ("BPL"). The Company is listed on the Bermuda Stock Exchange ("BSX") and is domiciled in Bermuda. WHL is incorporated under the laws of Bermuda and owns three properties known as the Belvedere Building and Belvedere Residences (or Condominium), and the Belvedere Place parking facility in which space is generally let under medium and long-term commercial leases. BPL has no commercial activities. The registered office is at 71 Pitts Bay Road, Pembroke, Bermuda.

The Company's parent company and ultimate controlling party is Somers Limited which owns 57% of the Company's outstanding shares. These consolidated financial statements have been approved for issuance by the Board of Directors on December 17, 2020.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the periods, unless otherwise stated – see note 2 (n).

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of investments and investment property which are measured at their estimated fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in notes 2 (d) and 15.

These consolidated financial statements are presented in U.S. dollars ($), which is the functional currency of the Company.

On March 11, 2020, the World Health Organization officially declared the outbreak of Covid-19 a global pandemic. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Management is closely monitoring the evolution of this pandemic, including how it may affect the Bermuda economy and general population. Given the inherent uncertainties, it is not practicable at this time to determine the impact of Covid-19 on future financial performance of the Company, or to provide a quantitative estimate of this impact which could potentially be significant. The Company is monitoring developments relating to Covid-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organizations, the government of Bermuda, and general pandemic response best practices.

To date the Company has not observed any material impact on its operations or financial position as a result of the Covid-19 outbreak and therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

2. Significant accounting policies (continued)

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company, and its two wholly owned subsidiaries. All subsidiary companies are incorporated in Bermuda. All intercompany transactions and balances are eliminated upon consolidation.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and they are recognised within profit or loss. Depreciation is calculated on the depreciable amount which is the cost of an asset, less its residual value, using the straight-line method over the following estimated useful lives:

Equipment	3 – 25 years
Computers	4 years
Furniture and fixtures	10 years

Refer to accounting policy 2(i) for the accounting policy related to impairment of non-financial assets.

(d) Investment property

Investment property is initially measured at cost and subsequently at its estimated fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item sold) is recognised in profit or loss.

The Company's three underlying investment properties are carried at fair value and the valuation of those properties is a critical accounting estimate in the Company's financial statements. The Directors have appointed an Independent Valuer to perform the valuations and to provide his opinion as to the fair value of the properties as at July 30, 2020.

The Investment properties are valued in accordance with guidance contained within the Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards 2020 (the "Red Book Global"). The valuations are primarily based on the income approach. The rationale for using the income approach is that the buildings have a high degree of tenancy and income stream and this is viewed as the most robust and logical approach. In addition, there have been very few transactions in the Bermuda real estate market over the past few years of similar large income-producing properties that would be considered comparable for market value purposes. As a result of the lack of such comparable sales, the valuation of Bermuda real estate is subject to a higher degree of uncertainty than may otherwise be the case in more active markets.

Further information on the valuations and the sensitivities of the valuations to changes in assumptions is given in note 5.

2. Significant accounting policies (continued)

(d) Investment property (continued)

At the valuation date, the Valuer has included a statement in his report whereby he draws attention to a material uncertainty surrounding the valuation of the Company's investment properties due to the unprecedented set of circumstances caused by the Covid-19 pandemic. This is not intended by the Valuer to suggest that his

valuations cannot be relied upon, but to indicate that less certainty, and a higher degree of caution, should be ascribed to the valuations than would normally be the case.

(e) Income recognition

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. When the Company provides incentives to its tenants, the cost of the incentives is recognized over the lease term, on a straight-line basis, as a reduction in rental income.

(f) Finance leases

The Company accounts for 999-year leases of investment property as finance leases (note 5) as the significant risks and rewards of the asset transfer to the lessee during the lease terms, even though title is not transferred. The difference between the carrying amount of the condominiums leased and the lease payments (received at inception of the lease) is recognised in the consolidated statement of profit and loss and other comprehensive income as a gain or loss on disposal in the year that the lease is finalized.

(g) Maintenance fees

Maintenance fees received in cash from lessees are recognised as maintenance liabilities in the consolidated statement of financial position in recognition of the contractual commitment to either refund such amounts or hold them for future scheduled maintenance work to be performed thereafter. Amounts currently recognised as liabilities are $nil (2019 - $nil) as expenses have exceeded income to date. Maintenance income for the year ended September 30, 2020 amounted to $290,890 (2019 - $293,913).

(h) Financial instruments

The Company's financial assets comprise of cash and cash equivalents, investments, and accounts receivable. The Company's financial liabilities include loans and borrowings, dividends payable, accounts payable and refundable deposits on leases.

(i) Recognition and initial measurement

Accounts receivable are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. Accounts receivable are initially measured at the transaction price which reflects fair value. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the instrument's acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Company determines the classification of its financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

2. Significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

The Company classifies all its financial assets at amortised cost except investments which are classified as fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL"). A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the Company is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses:

The Company's financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income and impairment gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. Significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Classification and subsequent measurement:

The Company classified its cash and cash equivalents and accounts receivable at amortised cost.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Company classifies its financial liabilities as amortised cost and they are subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flow from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership, and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

(i) Impairment

Financial assets

The Company recognises allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to 12-month ECLs for cash and cash equivalents that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and other receivables are always measured at an amount equal to lifetime ECLs.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

2. Significant accounting policies (continued)

(i) Impairment (continued)

Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significant if it is more than 120 days past due. The Company considers a financial asset to be in default when it is more than 180 days past due.

The Company considers cash and cash equivalents to have low credit risk when the bank's credit risk rating is equivalent to B or higher per Standard and Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract such as a default, or being more than 120 days past due; or
- it is probable that the issuer will enter bankruptcy or other financial reorganization.

Presentation of the allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2. Significant accounting policies (continued)

(i) Impairment (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environment;
- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the use of the assets or the strategy for business; and
- significant negative industry or economic trends.

The identification of impairment indicators, estimation of timing and amount of expected future cash flows, determination of discount rates and computation of recoverable amounts for assets involves significant judgment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable 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, if no impairment loss had been recognised.

(j) Pension costs

The Company operates a defined contribution pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised within maintenance, cleaning and wage expense in the profit or loss in the period during which services are rendered by employees. Pension surplus is recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(k) Finance income and finance expenses

Finance expenses comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Finance income comprises dividend income from investments.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

2. Significant accounting policies (continued)

(l) Earnings per share

The Company presents basic earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares; share options. For the share options, the exercise price used is the average of the last three traded prices just prior to the exercise date, less a discount of 15%. The exercise of the share options for certain employees is at the discretion of the employees and as at the reporting date there were no options exercised.

(m) Share based payments

The Company operates an equity-settled, share-based compensation plan under which the Company receives services from employees as consideration for equity instruments (options) of the Company. The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity. For certain share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(n) Changes in significant accounting policies

IFRS 16, *Leases* came into effect for accounting periods beginning after 1 January 2019. Under IFRS 16 a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are certain exemptions for short-term leases and leases of low value items.

The Company has applied IFRS 16 from October 1, 2019. The Company has reviewed its contracts that have characteristics of leases and concluded that as at September 30, 2020 it does not have any leases that are material to its financial statements as a lessee.

As a lessor, the Company is not required to make any adjustments for leases on adoption of IFRS 16 except where it is an intermediate lessor in a sub-lease. The Company has no sub-leases.

Due to the transition methods chosen by the Company in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

(o) Standards issued but not yet effective

A number of new or amended standards are effective for annual periods beginning on or after October 1, 2020 and early adoption is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company’s consolidated financial statements in future periods.

- *Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)*
- *Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- *Covid-19 Related Rent Concessions (Amendments to IFRS 16)*
- *Property, plant and Equipment: Proceeds before intended use (Amendments to IAS 16)*
- *Reference to Conceptual Framework (Amendments to IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*

3. Cash and cash equivalents

All of the Company's cash and cash equivalents are held with one Bermuda based financial institution in several current accounts earning no interest and cash deposits earning interest.

	2020	2019
Cash and cash equivalents at bank	$ 1,506,546	$ 994,112

4. Property, plant and equipment

	Computers	Furniture and fixtures	Equipment	Total
Cost				
At September 30, 2018	$ 30,501	$ 263,414	$ 2,679,980	$ 2,973,895
At September 30, 2019	30,501	263,414	2,679,980	2,973,895
Additions	–	–	23,860	23,860
At September 30, 2020	$ 30,501	$ 263,414	$ 2,703,840	$ 2,997,755
Accumulated depreciation				
At September 30, 2018	$ 30,501	$ 245,432	$ 1,500,164	$ 1,776,097
Depreciation charge for the year	–	2,170	125,703	127,873
At September 30, 2019	30,501	247,602	1,625,867	1,903,970
Depreciation charge for the year	–	2,170	119,720	121,890
At September 30, 2020	$ 30,501	$ 249,772	$ 1,745,587	$ 2,025,860
Carrying amount				
At September 30, 2018	$ –	$ 17,982	$ 1,179,816	$ 1,197,798
At September 30, 2019	$ –	$ 15,812	$ 1,054,113	$ 1,069,925
At September 30, 2020	$ –	$ 13,642	$ 958,253	$ 971,895

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

5. Investment property

	69 Pitts Bay Road	71 Pitts Bay Road	71 A Pitts Bay Road	Total
At October 1, 2019, fair value	$ 13,000,000	$ 24,000,000	$ 17,250,000	$ 54,250,000
Capital additions	152,701	11,931	20,788	185,420
Change in fair value	(152,701)	(10,011,931)	(270,788)	(10,435,420)
At September 30, 2019, fair value	$ 13,000,000	$ 14,000,000	$ 17,000,000	$ 44,000,000
Change in fair value	(760,000)	(400,000)	(1,150,000)	(2,310,000)
At September 30, 2020, fair value	$ 12,240,000	$ 13,600,000	$ 15,850,000	$ 41,690,000

Investment property comprises an office building (69 Pitts Bay Road), a car park facility (71 Pitts Bay Road) and a condominium building (71A Pitts Bay Road).

The fair value of the investment property is determined by an external, independent property valuer, having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's investment property annually. Management is of the opinion that the fair value of the property is $41.69 million as at September 30, 2020.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the nature of the inputs used in the valuation technique used.

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation was based on an income approach whereby net rental income for the investment property is capitalized using an investment yield.	- Void periods are assumed to be one year for vacant space - Investment yield ranges between 8.5% and 11% - Rent renewal rates are assumed to be at the same level as is currently achieved from existing tenants	The estimated fair value would increase (decrease) if: - Void periods were shorter (longer); - The investment yields were lower (higher). - Rent renewal rates were higher (lower).

6. Investments

		2020				2019		
		Cost		Fair value		Cost		Fair value
Equity securities	$	637,095	$	774,188	$	637,095	$	748,148

The investment portfolio consists of ordinary shares issued by Bermuda companies listed on the Bermuda Stock Exchange (“BSX”) and those that are privately held. The Company has no other investments.

The change in the fair value of the Company’s investment portfolio for the year ended September 30, 2019 amounted to $26,040 (2019 - $2,014).

7. Accounts payable and accrued liabilities

		2020		2019
Accounts payable	$	123,943	$	114,914
Accrued liabilities		91,773		56,256
	$	215,716	$	171,170

8. Loans and borrowings

On January 5, 2016 West Hamilton Limited, a wholly owned subsidiary, entered into a term loan agreement with HSBC in the amount of $10.25 million, to be amortised over 15 years and subject to renegotiation after 5 years, which was used to repay a previous bank loan balance. Interest on the HSBC term loan is calculated at the bank’s base rate of 2.5% plus the quoted rate of 3 month USD LIBOR. West Hamilton Limited provided all of its land, buildings and car park facility as security for the loan by way of a legal mortgage and an assignment of all rental income from the existing Belvedere Building, car park facility and condominium building. The Company entered into a limited guarantee for the principal outstanding on the term loan. For further information about the subsequent refinancing of the term loan see note 18.

On January 25, 2018, the Company entered into a new term loan in the amount of $4.7 million with HSBC for a five year term (the “Facility”). The Facility is to be repaid by way of monthly principal installments of $18,750 based on an amortization period of 20 years. The interest amount on the Facility will be calculated based on a fixed rate of 2.5% per annum plus the quoted one-month USD LIBOR. An arrangement fee of $22,500 was paid by the Company on the date of drawdown of the facility. Security pledged for the Facility includes the security provided under the $10.25m term loan above.

As at September 30, 2020, the effective interest rates were 3.03% and 2.68% (2019 - 4.61% and 4.94%) respectively.

The bank granted the Company permission for a dividend to be declared to ordinary shareholders in the amount of $436,260 representing 15 cents per share for the 2020 financial year.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

8. Loans and borrowing (continued)

For further information related to the Company's exposure to interest rate and liquidity risk see note 13 (a).

Principal repayments over the next four financial years for the existing loans are as follows:

	Total
2021	$ 7,280,389
2022	225,000
2023	225,000
2024	3,098,497
	$ 10,828,886

9. Share capital and reserves

	2020	2019
Common shares		
Authorised – 5,000,000 share of par value of $1 each		
Issued and fully paid 2,909,553 shares (2019 - 2,908,398)	$ 2,909,553	$ 2,908,398

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium

Share premium is the difference between the consideration received and the par value of the shares issued and for shares subscribed under the Company's employee share purchase plan.

Accumulated other comprehensive income

The accumulated other comprehensive income comprises the cumulative net change in the fair value of investments until the investments are derecognised or considered impaired.

10. Share-based payments

Employee share purchase plan

The employee share purchase plan includes an option which permits eligible employees to purchase the Company's common shares at a price 15% below the average market price. The average market price is determined by the average of the closing prices of the Company's common shares traded on the BSX, set out on the three days preceding the subscription date.

Options are conditional on the employee completing one year's service and being over 18 years of age. Eligible employees may acquire shares in any calendar year, up to a maximum value not exceeding 15% of their annual gross salary. Employees are restricted from selling the shares for a period of one year from the subscription date. The shares purchased are issued from authorised, unissued share capital under the plan and 50,000 common shares of the Company have been made available for sale to employees.

10. Share-based payments (continued)

All options are to be settled upon exercise of the options by the employee.

For the years ended September 30, 2020 and 2019, no employees subscribed for share options, no options were exercised and none were outstanding.

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended September 30, 2020 is based on the loss attributable to ordinary shareholders of $421,724 (2019 - $8,777,704) and a weighted average number of ordinary shares outstanding of 2,909,553 (2019 - 2,908,398).

Diluted earnings per share

The Company has one category of potentially dilutive ordinary shares (note 10); however the diluted earnings per share are the same as the basic earnings per share in 2020 and 2019.

12. Defined contribution plan

The Company sponsors a defined contribution pension plan covering all eligible employees. Contributions to the plan are made by the employee and the Company. The Company matches employees' contributions up to a maximum of 5% of the employees' annual earnings. The pension expense recognised by the Company in the current year is $3,683 (2019 - $6,913) representing the Company's share of contributions to the plan and this is included in profit or loss in maintenance, cleaning and wages.

13. Financial risk management

Exposure to liquidity, interest rate, credit and market risk arises in the normal course of the Company's operations.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company monitors liquidity risk by monitoring forecasted cash flows.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

13. Financial risk management (continued)

The following are contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows: 12 months or less	1 – 2 years	2 – 5 years	Total
September 30, 2020					
Financial liabilities					
Accounts payable	$ 123,943	$ 123,943	$ –	$ –	$ 123,943
Loans and borrowings	10,828,886	7,425,629	316,054	3,441,559	11,183,242
Refundable deposit	45,975	45,975	–	–	45,975
Dividend payable	23,547	23,547	–	–	23,547
	$ 11,022,351	$ 7,619,094	$ 316,054	$ 3,441,559	$11,376,707

	Carrying amount	Contractual cash flows: 12 months or less	1 – 2 years	2 – 5 years	Total
September 30, 2019					
Financial liabilities					
Accounts payable	$ 114,914	$ 114,914	$ –	$ –	$ 114,914
Loans and borrowings	11,744,488	1,424,578	7,772,766	3,877,023	13,074,367
Refundable deposit	36,000	36,000	–	–	36,000
Dividend payable	88,808	88,808	–	–	88,808
	$ 11,984,210	$ 1,664,300	$ 7,772,766	$ 3,877,023	$13,314,089

(b) Interest rate risk

The Company is exposed to interest rate risk on its bank loans because of potential future changes in market interest rates.

Sensitivity analysis

A 1% increase in the floating interest rate for the year ended September 30, 2020 would have increased the loss for the year by $108,289 (2019 - $117,445) assuming all other variables remain constant. Similarly, a 1% decrease in the floating interest rate for the year ended September 30, 2020 would have decreased the loss for the year by $108,289 (2019 - $117,445). The interest rate structure of the Company's loan are calculated on HSBC base rate, plus either the one-month or three-month USD LIBOR per annum. These rates have been quoted in the range of 0.14% to 2.06% during the current period and therefore they do not currently expose the Company to significant interest rate risk. This analysis is performed using market information and in practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

13. Financial risk management (continued)

(c) Credit risk

The Company maintains the majority of its cash and cash equivalents in accounts with a Bermuda-based bank. The bank's current credit rating by Standard & Poor was A-/A-2 and the risk of default is not considered significant by management.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The 12-month probabilities of default are based on historical data supplied by Standard and Poor's for each credit rating and are recalibrated based on current bond yields and credit default swap prices. The Company considers that its cash and cash equivalents and investments have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Company recognized an impairment allowance as at October 1, 2018 on cash and cash equivalents in the amount of $nil. The amount of the allowance remains $nil for the year ended September 30, 2020 (2019 - $nil).

Accounts receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's receivable balances are predominately with multiple Bermuda-based residential and commercial customers and are subject to credit risks in the normal course of business.

The maximum exposure to credit risk for receivable balances at the reporting date is represented by the carrying value on the consolidated statement of financial position.

The credit exposure is mitigated through the use of credit policies under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The credit exposure is further mitigated through on-going monitoring and assessment of customer payment history.

The following table provides information about the exposure to credit risk and the aging of receivables from individual customers as at September 30, 2020:

	2020	2019
Current	$ 50,488	$ 50,781
Past current	67,252	47,806
Past 30 days	6,395	16,210
Past 60 days	–	7,445
Past 90 days	119,800	9,979
	$ 243,935	$ 132,221

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

13. Financial risk management (continued)

(c) Credit risk (continued)

On initial application of IFRS 9 and for the year ended September 30, 2020, the Company did not recognize any provision for accounts receivable (2019 - $nil).

(d) Market risk

Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Company's exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, as well as market volatility and liquidity.

The Company's exposure to market risk associated with its investments is equal to the consolidated statement of financial position carrying value of the instruments of $774,188 (2019 - $748,148).

Sensitivity analysis

All the Company's investments in common stocks are listed on the BSX. A 10% increase in market prices at the reporting date, assuming that all other variables remain constant, would increase the Company's equity by approximately $77,419 (2019 - $74,815). An equal change in the opposite direction would decrease the Company's equity by a corresponding amount. There would be no impact on reported loss for the year. This analysis is performed on the same basis for 2019. In practice the actual trading results may differ from this sensitivity analysis and the difference could be material.

(e) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain 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 to shareholders, return capital to shareholders, issue new shares or sell assets as part of its capital management strategy.

Consistent with others in the industry, the Company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total debt divided by total capital. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

During 2020, the Company's strategy was unchanged from 2019, which was to maintain a debt to equity ratio of no more than 75%. The debt to equity ratios at September 30, 2020 and September 30, 2019 were as follows:

	2020	2019
Total debt	$ 10,828,886	$ 11,744,488
Total equity	$ 33,957,987	$ 34,783,333
Debt to equity	31.89%	33.76%

The debt to equity ratio is in line with the Company's capital management strategy.

13. Financial risk management (continued)

(f) Fair value

The Company has not disclosed the fair value of financial assets and liabilities not measured at fair value as the carrying values of the Company's financial assets and liabilities are reasonable estimates of their fair values due to the short-term maturity of these instruments or the fact that they attract interest at market rates.

Disclosure of fair value of investment property

The Company considers that the fair value of investment property disclosed in note 5 falls within Level 3 fair value hierarchy as defined by IFRS 13 and believe that the income approach is the best method to determine the fair value of the investment property. As further outlined in IFRS 13, a Level 3 fair value recognises that not all inputs and considerations made in determining the fair value of investment property can be derived from publicly available data, as the valuation methodology in respect of investment property may also rely on other factors including technical engineering reports, comparative data and analysis, and proprietary data maintained by the valuer in respect of similar properties to the assets being valued.

Fair value hierarchy

The table below analyses investments by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly.

Level 3: inputs for the asset that are not based on observable date.

	2020	2019
Level 1	$ 754,186	$ 728,148
Level 3	$ 20,000	$ 20,000

There have been no transfers between the levels during 2020 or 2019.

(g) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

WEST HAMILTON HOLDINGS LIMITED

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

14. Operating leases

The Company acts as lessor and leases its investment property to various tenants under operating leases (see note 5). The future minimum lease payments receivable under currently active leases are as follows:

	2020	2019
Less than one year	$ 1,770,581	$ 1,428,511
Between one and five years	1,166,693	2,007,627
	$ 2,937,274	$ 3,436,138

15. Critical judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. Management makes critical accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below. Principal assumptions underlying management's estimation of fair value are reflecting the economic environment and market conditions during 2020. The fair value of investment property (note 5) was determined principally using the income approach, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition and recent sales of similar properties, and using an investment yield that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

16. Taxation

Under current Bermuda law, the Company is not required to pay taxes on either income or capital gains. Accordingly, no provision for income taxes or deferred taxes has been made in the consolidated financial statements.

17. Related parties

Key management personnel compensation comprised:

	2020	2019
Short-term compensation	$ 200,000	$ 150,000

Details of the employee share purchase plan available to key management personnel are disclosed in note 10.

During the year ended September 30, 2020, the directors and executive officers of the Company had a combined interest in 446,625 of the Company's common shares (2019 - 446,625 shares).

18. Subsequent events

On October 15, 2020, the Company entered into an agreement to lend $1 million to Somers Limited, a shareholder with controlling interest in the Company. Interest on the loan is calculated at a fixed rate of 3.5% per annum. The full principal amount and interest of $1,004,123 was repaid on November 25, 2020.

On December 14, 2020 the Company signed a facility letter detailing a new term loan to borrow $6,941,500 from HSBC Bank Bermuda Limited to refinance and convert the outstanding balance of the term loan agreements entered into on January 5, 2016 into a 5 year term loan facility (the "Facility"). The Facility is to be repaid by way of monthly principal instalments of $48,205 based on an amortisation period of 12 years. The interest amount of the Facility will be calculated based on a fixed rate of 2.25% per annum plus the one-month USD LIBOR. An arrangement fee of $52,061 shall be paid by the Company on the date of drawdown of the Facility. Security pledged include the title deeds of all investment properties and a conditional assignment of rents.

Covid-19 Pandemic

While the Company anticipates no significant negative impact to its operations or financial condition, the duration and extent of the Covid-19 pandemic and its related economic, social and public health implications remain uncertain at the issuance of these consolidated financial statements.

There have been no other significant events or transactions from September 30, 2020 to the date that these financial statements were available for issuance that require adjustments to or disclosures in the consolidated financial statements.

WEST HAMILTON HOLDINGS LIMITED DIRECTORS & OFFICERS

J. Michael Collier
President & Chairman of the Board

Peter A. Pearman
Director

Duncan Saville
Director

Glenn M. Titterton
Director

Alasdair Younie
Director

Harrichand Sukdeo
Chief Financial Officer

Conyers Corporate Services
(Bermuda)

SUBSIDIARIES

AS OF 30 SEPTEMBER, 2020

West Hamilton Limited
71 Pitts Bay Road
Pembroke HM08
Bermuda

West Hamilton Limited was incorporated by PRIVATE ACT in 1920 and offers the rental or purchase of Residential and Commercial spaces.

Belvedere Place 'A' Ltd.

Incorporated in Bermuda 29 October, 2007
A Commercial Property Development Company

West Hamilton Investments Ltd.

Incorporated in Bermuda 20 June, 2012
An Investment Management Company trading in shares listed on the BSX

EXTERNAL SERVICE PROVIDERS & CONSULTANTS

BANKERS

HSBC Bank Bermuda Ltd.
37 Front Street
Hamilton HM08
Bermuda

AUDITORS

KPMG Audit Limited
4 Par-La-Ville Road
Hamilton HM08
Bermuda

LEGAL ADVISORS

Conyers, Dill & Pearman Ltd.
2 Church Street
Hamilton HM11
Bermuda

REGISTRAR & TRANSFER AGENT

West Hamilton Ltd.
71 Pitts Bay Road
Pembroke HM08
Bermuda

WEST
HAMILTON
HOLDINGS
LIMITED

71 PITTS BAY ROAD
PEMBROKE HM08
BERMUDA

P.O. BOX HM 833
HAMILTON HM CX
BERMUDA

TEL: 441-295-5985
FAX: 441-295-7546
INFO@WESTHAMILTON.BM

WESTHAMILTON.BM