**WEST HAMILTON HOLDINGS LIMITED**

**Consolidated Financial Statements**
(With Independent Auditor's Report Thereon)

For the years ended September 30, 2022 and 2021

**KPMG Audit Limited**
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of West Hamilton Holdings Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
March 29, 2023

**WEST HAMILTON HOLDINGS LIMITED**

Consolidated Statements of Financial Position

As at September 30, 2022 and September 30, 2021
*(Expressed in U.S. dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment (Note 4) | $ 25,747 | $ 870,646 |
| Investment property (Note 5) | 40,580,000 | 46,480,000 |
| Total non-current assets | 40,605,747 | 47,350,646 |
| **Current assets** | | |
| Cash and cash equivalents (Notes 3 and 11) | 1,064,688 | 2,369,236 |
| Investments (Notes 6 and 11) | 447,102 | 481,058 |
| Accounts receivable (Note 11) | 115,226 | 81,661 |
| Prepaid expenses | 59,433 | 105,075 |
| Total current assets | 1,686,449 | 3,037,030 |
| Total assets | $ 42,292,196 | $ 50,387,676 |
| **Equity** | | |
| Share capital (Note 9) | $ 2,914,939 | $ 2,908,403 |
| Share premium (Note 9) | 7,857,908 | 7,821,954 |
| Accumulated other comprehensive income (Note 9) | 252,232 | 286,188 |
| Retained earnings | 21,423,056 | 28,882,908 |
| Total equity | 32,448,135 | 39,899,453 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Loans and borrowings (Notes 8 and 11) | 5,350,739 | 9,252,695 |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 7 and 11) | 220,595 | 115,656 |
| Dividends payable (Note 11) | 31,315 | 62,553 |
| Refundable deposits on leases (Note 11) | 53,022 | 44,475 |
| Loans and borrowings (Notes 8 and 11) | 3,901,956 | 803,458 |
| Deferred income | 286,434 | 209,386 |
| Total current liabilities | 4,493,322 | 1,235,528 |
| Total liabilities | 9,844,061 | 10,488,223 |
| Total equity and liabilities | $ 42,292,196 | $ 50,387,676 |

*The accompanying notes from page 7 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, 2022 and September 30, 2021
*(Expressed in U.S. dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Rental income from investment property | $ 3,072,418 | $ 3,146,207 |
| **Other income** | | |
| Increase in fair value of investment property (Note 5) | – | 4,704,815 |
| Total income | 3,072,418 | 7,851,022 |
| **Expenses** | | |
| Decrease in fair value of investment property (Note 5) | (6,211,053) | – |
| Depreciation (Note 4) | (859,191) | (120,148) |
| Maintenance, cleaning and wages (Note 11) | (212,528) | (149,445) |
| Professional fees (Note 15) | (343,758) | (330,498) |
| Insurance | (87,141) | (82,681) |
| Land taxes and other expenses | (112,700) | (121,982) |
| Utilities | (100,515) | (47,147) |
| Total expenses | (7,926,886) | (851,901) |
| **Finance expense** | | |
| Dividend income | 23,988 | 28,399 |
| Interest expense | (302,650) | (315,904) |
| Net finance expense | (278,662) | (287,505) |
| (Loss)/profit for the year (attributable to owners of the Company) | (5,133,130) | 6,711,616 |
| **Other comprehensive income:** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Equity investments at FVOCI – net change in fair value | (33,965) | 149,095 |
| Other comprehensive (loss)/income for the year | (33,965)) | 149,095 |
| Total comprehensive (loss)/profit for the year (attributable to owners of the Company) | $ (5,167,095) | $ 6,860,711 |
| Basic earnings per share (Note 10) | $ (1.76) | $ 2.31 |

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

*The accompanying notes from page 7 are an integral part of these consolidated financial statements*

**WEST HAMILTON HOLDINGS LIMITED**

Consolidated Statements of Changes in Equity

Years ended September 30, 2022 and September 30, 2021
*(Expressed in U.S. dollars)*

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital | Share premium | Accumulated other comprehensive income | Retained earnings | Total |
| Balance at September 30, 2020 | $ 2,909,553 | $ 7,825,404 | $ 137,093 | $ 23,085,937 | $ 33,957,987 |
| Shares repurchased | (1,150) | (3,450) | – | – | (4,600) |
| Dividends declared | – | – | – | (914,645) | (914,645) |
| Profit for the year | – | – | – | 6,711,616 | 6,711,616 |
| **Other comprehensive income:** | | | | | |
| Net change in fair value of investments | – | – | 149,095 | – | 149,095 |
| Balance at September 30, 2021 | 2,908,403 | 7,821,954 | 286,188 | 28,882,908 | 39,899,453 |
| Share issue | 6,536 | 35,954 | – | | 42,490 |
| Dividends declared | – | – | – | (2,326,722) | (2,326,722) |
| Loss for the year | – | – | – | (5,133,130) | (5,133,130) |
| **Other comprehensive income:** | | | | | |
| Net change in fair value of investments | – | – | (33,956) | – | (33,956) |
| Balance at September 30, 2022 | $ 2,914,939 | $ 7,857,908 | $ 252,232 | $ 21,423,056 | $ 32,448,135 |

*The accompanying notes from page 7 are an integral part of these consolidated financial statements*

**WEST HAMILTON HOLDINGS LIMITED**

Consolidated Statements of Cash Flows

Years ended September 30, 2022 and September 30, 2021
*(Expressed in U.S. dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year | $ (5,133,130) | $ 6,711,616 |
| Adjustments for: | | |
| Depreciation | 859,191 | 120,148 |
| Interest expense and dividend income | 278,662 | 287,505 |
| Decrease/(increase) in the fair value of investment property | 6,211,053 | (4,704,815) |
| Changes in non-cash working capital balances: | | |
| Deferred income | 77,048 | (20,449) |
| Accounts receivable | (33,565) | 162,274 |
| Prepaid expenses | 45,642 | 10,307 |
| Refundable deposits on leases | 8,547 | (1,500) |
| Accounts payable and accrued liabilities | 104,939 | (100,060) |
| Net cash provided by operating activities | 2,418,387 | 2,465,026 |
| **Cash flows from investing activities** | | |
| Dividends received | 23,987 | 28,399 |
| Additions to property, plant and equipment | (14,292) | (18,899) |
| Additions to investment property | (311,053) | (85,185) |
| Proceeds on sale of investment | – | 442,225 |
| Net cash (used in)/provided by investing activities | (301,357) | 366,540 |
| **Cash flows from financing activities** | | |
| Share repurchase | – | (4,600) |
| Repayment of bank loan | (803,458) | (772,733) |
| Interest paid | (302,650) | (315,904) |
| Dividends paid | (2,315,470) | (875,639) |
| Net cash used in financing activities | (3,421,579) | (1,968,876) |
| Net (decrease)/increase in cash and cash equivalents | (1,304,549) | 862,690 |
| Cash and cash equivalents at beginning of year | 2,369,236 | 1,506,546 |
| Cash and cash equivalents at end of year | $ 1,064,688 | $ 2,369,236 |
| **Non-cash financing activities:** | | |
| Issuance of shares under dividend reinvestment plan | $ 42,490 | $ – |

*The accompanying notes from page 7 are an integral part of these consolidated financial statements*

## 1. General

West Hamilton Holdings Limited 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") (together the "Company"). 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, 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.

As at September 30, 2022 the Company's parent and ultimate controlling party is Somers Limited which owns 56.9% of the Company's outstanding shares. Effective October 11, 2022 Somers transferred all its shares to UIL Limited, a related party (Note 16).

These consolidated financial statements have been approved for issuance by the Board of Directors on March 29, 2023.

## 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.

*(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 on the historical cost basis, except for investments and investment property which are measured at their estimated fair value. The consolidated financial statements are prepared on a going concern basis.

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 13.

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

*(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.

**2. Significant accounting policies** (continued)

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 |
| Furniture and fixtures | 10 years |

Management assesses the useful life of these assets annually. As at September 30, 2022 management has determined that the property, plant and equipment will not have a useful life beyond December 31, 2022 as result of the sale of 69 and 71 Pitts Bay Road properties (Note 16).

*(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 investment property known as 71A is carried at fair value and the valuation of the property is a critical accounting estimate in the Company's consolidated 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 property as at September 30, 2022. Based on the stable nature of the revenue generated by the property, it was determined that the fair value of $17.58 million for 71A reflects the market conditions at September 30, 2022. Management assessment of fair value is approximately 5 percent lower than the appraised value assigned by the valuer.

The Investment property is 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.

The valuation of 69 and 71 Pitts Bay Road was not included in the independent valuer's report as management received an offer from an independent third party to acquire the investment properties for a total consideration of $23 million. The fair value of these properties has therefore been marked based on the offer accepted by management. Management considers that the $23 million is representative of the fair value of the investment properties in accordance with the requirements of the IFRS 13.

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

At the valuation date, the Independent Valuer has included a statement in his report whereby he draws attention to a material uncertainty surrounding the valuation of the Company's investment property. 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. There is a degree of material uncertainty owning, in large part to the relative paucity of comparable sales information, in the open market, of large income producing mixed used premises.

**2. Significant accounting policies** (continued)

*(e) Income recognition*

Rental income from investment property is recognised 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 recognised 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 (2021 - $nil) as expenses have exceeded income to date. Maintenance income for the year ended September 30, 2022 amounted to $271,474 (2021 - $278,625).

*(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 receivables 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 receivables 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.

**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"). These assets are subsequently measured at fair value. The measurement of investments classified as FVOCI is an irrevocable election resulting in subsequent changes in fair value being recognised in OCI. Derecognition gains and losses from equity investments measured at FVOCI are not recognised in the Consolidated Statement of Profit and Loss. However, transfers may be made from OCI to retained earnings at the discretion of management. Dividends are recognised income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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.

**2. Significant accounting policies** (continued)

*(h) Financial instruments* (continued)

*(ii) Classification and subsequent measurement* (continued)

*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.

*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 derecognises 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 derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognises 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.

**2. Significant accounting policies** (continued)

*(i) Impairment* (continued)

*Financial assets* (continued)

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

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 reorganisation.

*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) 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.

*(k) 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.

**2. Significant accounting policies** (continued)

*(l) Standards issued but not yet effective*

A number of new or amended standards are effective for annual periods beginning on or after October 1, 2022 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:

- *Classification of liabilities as current or non-current (Amendments to IAS 1)*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*

**3. Cash and cash equivalents**

All of the Company's cash and cash equivalents are held with one Bermuda based financial institution.

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents at bank | $ 1,064,688 | $ 2,369,236 |

**4. Property, plant and equipment**

| | Furniture and fixtures | Equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| At September 30, 2020 | $ 263,414 | $ 2,703,840 | $ 2,967,254 |
| Additions | – | 18,899 | 18,899 |
| At September 30, 2021 | 263,414 | 2,722,739 | 3,016,654 |
| Additions | 9,432 | 4,860 | 14,292 |
| At September 30, 2022 | $ 272,846 | $ 2,727,599 | $ 3,000,445 |
| **Accumulated depreciation** | | | |
| At September 30, 2020 | $ 249,772 | $ 1,745,587 | $ 1,995,359 |
| Depreciation charge for the year | 2,170 | 117,978 | 120,148 |
| At September 30, 2021 | 251,942 | 1,863,565 | 2,115,507 |
| Depreciation charge for the year | 20,126 | 839,065 | 859,191 |
| At September 30, 2022 | $ 272,068 | $ 2,702,631 | $ 2,974,698 |
| **Carrying amount** | | | |
| At September 30, 2020 | $ 13,642 | $ 958,253 | $ 971,895 |
| At September 30, 2021 | $ 11,472 | $ 859,174 | $ 870,646 |
| At September 30, 2022 | $ 778 | $ 24,968 | $ 25,747 |

The depreciation charge for the year of $859,191 represents more than one year's depreciation as reported in previous years. The accelerated depreciation is as a result of the change of useful life explained under Note 2(c).

## 5. Investment property

| | 69 & 71 Pitts Bay Road | 71A Pitts Bay Road | Total |
|---|---|---|---|
| At October 1, 2020, fair value | $ 25,840,000 | $ 15,850,000 | $ 41,690,000 |
| Additions | 85,185 | – | 85,185 |
| Change in fair value | 3,854,815 | 850,000 | 4,704,815 |
| At September 30, 2021, fair value | $ 29,780,000 | $ 16,700,000 | $ 46,480,000 |
| Additions | 311,053 | | 311,053 |
| Change in fair value | (7,091,053) | 880,000 | (6,211,053) |
| At September 30, 2022, fair value | $ 23,000,000 | $ 17,580,000 | $ 40,580,000 |

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 71A 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.

69 and 71 Pitts Bay Road was assigned a value of $23 million based on an offer accepted by management and a signed agreement with an independent third party (Note 16). These properties were not valued by the property valuer.

Management is of the opinion that the fair value of the properties is $40,580,000 as at September 30, 2022 (2021 - $46.5m).
The fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the nature of the inputs used in the valuation technique. 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 capitalised using an investment yield. Comparable property value and the demand for comparable rental units were also considered in support of Income approach value. | - Investment yield is 6.25%<br>- 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:<br>- Demand was stronger (weaker).<br>- The investment yields were lower (higher).<br>- Rent renewal rates were higher (lower). |

## 6. Investments

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| Equity securities | $ 492,463 | $ 447,102 | $ 492,463 | $ 481,058 |

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 total cumulative gain on the sale of investments in the current year was $nil (2021 - $297,593).

## 7. Accounts payable and accrued liabilities

| | 2022 | 2021 |
|---|---|---|
| Accounts payable | $ 74,040 | $ 48,759 |
| Accrued liabilities | 146,555 | 66,897 |
| | $ 220,595 | $ 115,656 |

## 8. Loans and borrowings

On December 11, 2020 West Hamilton Limited, a wholly owned subsidiary, entered into a term loan agreement with HSBC in the amount of $6.94 million, to be amortised over 12 years and subject to renegotiation after 5 years, which was used to repay a previous bank loan balance. The facility is to be repaid by way of monthly principal installments of $48,205. Interest on the HSBC term loan is calculated at the bank's base rate of 2.25% plus the quoted rate of 1 month USD LIBOR. An arrangement fee of $52,061 was paid by the Company on the date of drawdown of the facility. 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.

On January 25, 2018, the Company entered into a term loan in the amount of $4.7 million with HSBC for a five year term. The loan is to be repaid by way of monthly principal installments of $18,750 based on an amortization period of 20 years. The interest amount calculated is based on a fixed rate of 2.5% per annum plus the quoted 1 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 $6.94m term loan above.

As at September 30, 2022, the effective interest rates were 4.67% and 4.93% (2021 - 2.33% and 2.58%) respectively.

The bank granted the Company permission for a dividend to be declared to ordinary shareholders representing 80 cents per share for the 2022 (32 cents in 2021) financial year. The Company has complied with all loan covenants during the year ended September 30, 2022.

**8. Loans and borrowing** (continued)

For further information related to the Company's exposure to interest rate and liquidity risk see Note 11(a).

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

| | Total |
|---|---|
| 2023 | $ 3,901,956 |
| 2024 | 578,458 |
| 2025 | 4,772,281 |
| | $ 9,252,695 |

**9. Share capital and reserves**

| | 2022 | 2021 |
|---|---|---|
| Common shares | | |
| Authorised – 5,000,000 share of par value of $1 each | | |
| Issued and fully paid 2,914,939_shares (2021 - 2,908,403) | $ 2,914,939 | $ 2,908,403 |

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.

*Accumulated other comprehensive income*

The accumulated other comprehensive income comprises the cumulative net change in the fair value and realised gains on investments.

*Dividend Reinvestment Plan*

The Company operates a dividend reinvestment plan under which holders of ordinary shares may elect to have all of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a purchase price of $6.50 per share.

**10. Earnings per share**

*Basic earnings per share*

The calculation of basic earnings per share for the year ended September 30, 2022 is based on the (loss)/profit attributable to ordinary shareholders of $(5,133,130) (2021: $6,711,616) and a weighted average number of ordinary shares outstanding throughout the period. The Company has no potentially dilutive ordinary shares.

## 11. 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.

The following are contractual maturities of financial liabilities:

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 12 months or less | 1 – 2 years | 2 – 5 years | Total |
| **September 30, 2022** | | | | | |
| **Financial liabilities** | | | | | |
| Accounts payable | $ 74,040 | $ 74,040 | $ – | $ – | $ 74,040 |
| Loans and borrowings | 9,252,695 | 3,901,956 | 578,458 | 4,772,281 | 9,252,695 |
| Refundable deposit | 53,022 | 53,022 | – | – | 53,022 |
| Dividends payable | 31,315 | 31,315 | – | – | 31,315 |
| | $ 9,411,072 | $ 4,060,333 | $ 578,458 | $ 4,772,281 | $ 9,411,072 |

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 12 months or less | 1 – 2 years | 2 – 5 years | Total |
| **September 30, 2021** | | | | | |
| **Financial liabilities** | | | | | |
| Accounts payable | $ 48,759 | $ 48,759 | $ – | $ – | $ 48,759 |
| Loans and borrowings | 10,056,153 | 1,036,996 | 1,017,713 | 8,712,467 | 10,767,176 |
| Refundable deposit | 44,475 | 44,475 | – | – | 44,475 |
| Dividends payable | 62,553 | 62,553 | – | – | 62,553 |
| | $ 10,211,940 | $ 1,192,783 | $ 1,017,713 | $ 8,712,467 | $10,922,963 |

### (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, 2022 would have increase the loss for the year by $92,527 (2021 - $100,562) assuming all other variables remain constant. Similarly, a 1% decrease in the floating interest rate for the year ended September 30, 2022 would have reduce the loss for the year by $92,527 (2021 - $100,562). The interest rate structure of the Company's loans are calculated on HSBC base rate, plus one-month USD LIBOR per annum. These rates have been quoted in the range of 3.67% to 0.60% during the

**11. Financial risk management** (continued)

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. The cessation date for USD LIBOR has been delayed to June 30, 2023 and therefore does not give rise to additional interest rate risk to the Company at this time.

*(c) Credit risk*

The Company maintains the all its cash and cash equivalents in accounts with a Bermuda-based bank. The bank's current credit rating by Standard & Poor's 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 recognised 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, 2022 (2021 - $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 using 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:

| | 2022 | 2021 |
|---|---|---|
| Current | $ 68,846 | $ 46,029 |
| Past current | 25,575 | 8,193 |
| Past 30 days | 3,739 | 3,747 |
| Past 60 days | – | – |
| Past 90 days | 17,066 | 23,692 |
| | $ 115,226 | $ 81,661 |

On initial application of IFRS 9 and for the year ended September 30, 2022, the Company did not recognise any expected credit loss for accounts receivable (2021 - $nil).

**11. Financial risk management** (continued)

*(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 $447,102 (2021 - $481,058).

*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 $44,710 (2021 - $48,106). An equal change in the opposite direction would decrease the Company's equity by a corresponding amount. This analysis is performed on the same basis for 2021. In practice the actual trading results may differ from this sensitivity analysis.

*(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 2022, the Company's strategy was unchanged from 2021, which was to maintain a debt to equity ratio of no more than 75%. The debt-to-equity ratios at September 30, 2022 and September 30, 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Total debt | $ 9,252,695 | $ 10,056,153 |
| Total equity | $ 32,448,135 | $ 39,899,453 |
| Debt to equity | 28.54% | 25.20% |

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

**11. 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 believes that the income approach is the best method to determine the fair value of the investment property for 71A Pitts Bay Road property. 69 and 71 Pitts Bay Road was determined based on an offer accepted by management and a signed agreement with an independent third party. 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.

| | 2022 | 2021 |
|---|---|---|
| Level 1 | $ 427,102 | $ 461,058 |
| Level 3 | $ 20,000 | $ 20,000 |

There have been no transfers between the levels during 2022 or 2021.

*(g) Foreign currency risk*

The Company is not exposed to significant foreign currency risk.

## 12. 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:

| | 2022 | 2021 |
|---|---|---|
| Less than one year | $ 1,597,065 | $ 997,687 |
| Between one and five years | 1,805,921 | 703,751 |
| | $ 3,403,886 | $ 1,701,438 |

## 13. 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 principal assumptions underlying management's estimation of fair value are reflecting the economic environment and market conditions during 2022. The fair value of 71A Pitts Bay Road 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.

## 14. 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.

## 15. Related parties

Key management personnel compensation comprised:

| | 2022 | 2021 |
|---|---|---|
| Short-term compensation | $ 250,000 | $ 225,000 |

During the year ended September 30, 2022, the directors and executive officers of the Company had a combined interest in 446,625 of the Company's common shares (2021 - 446,625 shares).

## 16. Subsequent events

The transfer of 1,659,390 shares from Somers Limited to UIL Limited was completed on October 11, 2022. Following the transfer between Somers and UIL, two related parties, Somers holds zero shares of the Company and UIL became a major shareholder holding 56.9 percent of the issued and outstanding shares of the Company.

On March 17, 2023 the Company entered into an agreement and plan of merger with Princess West Limited which will result in the sale of 69 and 71 Pitts Bay Road. Completion of the transaction is subject to several conditions including Governmental approvals.