

Horizon Finance plc

Company Registration Number: C 88540

Interim condensed financial statements

For the period 1 January to 30 June 2021

Horizon Finance plc

For the period 1 January to 30 June 2021

CONTENTS

	<u>Page</u>
Interim Directors' Report pursuant to Prospects MTF Rule 4.11.12	1
Directors' Statement on the Interim Condensed Financial Statements	2
Interim Condensed Statement of Comprehensive Income	3
Interim Condensed Statement of Financial Position	4 - 5
Interim Condensed Statement of Changes in Equity	6
Interim Condensed Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 - 15

Horizon Finance plc

Interim Directors' Report pursuant to Prospects MTF Rule 4.11.12

For the period 1 January to 30 June 2021

This half-yearly report is being published in terms of Chapter 4 of the Prospects MTF Rules of the Malta Stock Exchange and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report comprises the unaudited interim condensed financial statements for the period 1 January to 30 June 2021 prepared in accordance with International Financial Reporting Standards as adopted by the EU for interim financial statements (International Accounting Standard 34, *Interim Financial Reporting*).

In accordance with the terms of the Prospects MTF Rule 4.11.12, the interim condensed financial statements have not been audited by the company's independent auditor.

Principal Activities

The company's principal activity is to carry on the business of a finance company, and the financing and re-financing of the company and the group.

Performance review

During the period under review, the company's revenue comprised loan interest income of € 62,542, and investment income of € 3,347. Expenses incurred during this period included bond interest expense of € 49,589, amortisation of bond issue costs of € 2,882, fair value loss on investment of € 1,500 and administrative expenses of € 10,910. After deducting deferred tax expense of € 691, the company's profit for the 6-month period to 30 June 2021 amounted to € 317.

The directors do not anticipate any significant changes during the forthcoming six months.

Dividends

No interim dividends are being proposed as at the date of this report.

Approved by the board of directors on 28 July 2021 and signed on its behalf by:



Kevin Deguara
Director



Jean Carl Farrugia
Director

Registered Address:

Il Piazzetta A, Suite 52, Level 5
Tower Road Sliema
Sliema SLM 1607
Malta

Horizon Finance plc

Notes to the Interim Condensed Financial Statements

For the period 1 January to 30 June 2021

We hereby confirm that, to the best of our knowledge

- the interim condensed financial statements give a true and fair view of the financial position of the company as at 30 June 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34).
- the interim directors' report includes a fair review of the information required in terms of Rule 4.11.12 of the Prospects MTF Rules.

Approved by the board of directors on 28 July 2021 and signed on its behalf by:



Kevin Deguara
Director



Jean Carl Farrugia
Director

Registered Address:
11 Piazzetta A, Suite 52, Level 5
Tower Road Sliema
Sliema SLM 1607
Malta

Horizon Finance plc

Interim Condensed Statement of Comprehensive Income

For the period 1 January to 30 June 2021

	01/01/2021 to 30/06/2021 (6 months) € (unaudited)	01/01/2020 to 30/06/2020 (6 months) € (audited)
Finance income	65,889	51,086
Finance costs	(53,971)	(52,242)
Administrative expenses	(10,910)	(13,420)
Profit/(loss) before tax	1,008	(14,576)
Tax (expense)/income	(691)	4,145
Profit/(loss) for the period – total comprehensive income/(loss)	317	(10,431)
Profit/(loss) per share	0.0068	(0.2238)

Horizon Finance plc

Interim Condensed Statement of Financial Position

As at 30 June 2021

		30/06/2021	31/12/2020
		€	€
	Note	(unaudited)	(audited)
ASSETS			
Non-current assets			
Loans receivable	3.	1,750,000	1,750,000
Financial assets at fair value through profit and loss	4.	150,000	151,500
Deferred tax	5.	28,495	29,186
Total non-current assets		1,928,495	1,930,686
Current assets			
Other receivables	6.	51,483	106,501
Current tax receivable		1,250	1,250
Cash and cash equivalents	7.	55,933	43,176
Total current assets		108,666	150,927
TOTAL ASSETS		2,037,161	2,081,613

Horizon Finance plc

Interim Condensed Statement of Financial Position (continued)

As at 30 June 2021

		30/06/2021	31/12/2020
		€	€
	Note	(unaudited)	(audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	8.	46,600	46,600
Retained earnings		6,117	5,800
Total equity		52,717	52,400
Liabilities			
Non-current liabilities			
Debt securities in issue	9.	1,945,189	1,942,307
Current liabilities			
Other payables	10.	39,255	86,906
Total liabilities		1,984,444	2,029,213
TOTAL EQUITY AND LIABILITIES		2,037,161	2,081,613

These interim condensed financial statements on pages 3 to 15 were approved by the board of directors on 28 July 2021 and signed on its behalf by:



Kevin Deguara
Director



Jean-Carl Farrugia
Director

Horizon Finance plc

Interim Condensed Statement of Changes in Equity

For the period 1 January to 30 June 2021

	Share capital	Retained earnings	Total equity
	€	€	€
At 1 January 2021	46,600	5,800	52,400
Profit for the period – total comprehensive income	-	317	317
Balance at 30 June 2021	46,600	6,117	52,717

	Share capital	Retained earnings	Total equity
	€	€	€
At 1 January 2020	46,600	18,842	65,442
Loss for the period – total comprehensive loss	-	(10,431)	(10,431)
Balance at 30 June 2020	46,600	8,411	55,011

Horizon Finance plc

Interim Condensed Statement of Cash Flows

For the period 1 January to 30 June 2021

	01/01/2021 to 30/06/2021 (6 months) € (unaudited)	01/01/2020 to 30/06/2020 (6 months) € (audited)
Net cash flows used in operating activities	(10,493)	(23,393)
Net cash flows from investing activities	123,250	-
Net cash flows used in financing activities	(100,000)	(100,000)
Net movement in cash and cash equivalents	12,757	(123,393)
Cash and cash equivalents at beginning of period	43,176	258,361
Cash and cash equivalents at end of period	55,933	134,968

Horizon Finance plc

Notes to the Interim Condensed Financial Statements

For the period 1 January to 30 June 2021

1. Basis of preparation

a. Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and in terms of Rule 4.11.12 of Prospectus MTF Rules which is operated and regulated by the Malta Stock Exchange plc.

The financial information has been extracted from the Company's unaudited interim financial statements for the period ended 30 June 2021.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss which are carried at fair value in line with the requirements of IFRS 9.

c. Functional and presentation currency

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

2. Significant Accounting Policies

a. Financial instruments

i. Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

ii. Financial assets

Classification and initial measurement of financial assets

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

2. Significant Accounting Policies (continued)

a. Financial Instruments (continued)

ii. Financial assets (continued)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The company's loans and other receivables, and cash and cash equivalents fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial asset whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated as effective hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

2. Significant Accounting Policies (continued)

a. Financial Instruments (continued)

ii. Financial assets (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead, the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

iii. Financial liabilities

The company's financial liabilities include debt securities in issue and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Horizon Finance plc

Notes to the Interim Condensed Financial Statements (continued)

For the period 1 January to 30 June 2021

2. Significant Accounting Policies (continued)

b. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes. Bank overdrafts, which are repayable on demand and form an integral part of the Company's cash and management, are a component of cash and cash equivalents.

c. Taxation

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

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to the investment in subsidiary to the extent that the Company is able to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future. Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

d. Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

Retained earnings include all current and prior period results.

Dividend distributions payable to equity shareholders are included with short term financial liabilities in the statement of financial position when the dividends are approved in general meeting prior to the end of the reporting year.

e. Revenue recognition

Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance income in the income statement.

f. 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.

Horizon Finance plc

Notes to the Interim Condensed Financial Statements (continued)

For the period 1 January to 30 June 2021

3. Loans receivable

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Loan receivable from shareholder (note i)	850,000	850,000
Loan receivable from group company (note i)	850,000	850,000
Loan receivable from group company (note ii)	50,000	50,000
	<u>1,750,000</u>	<u>1,750,000</u>

Note i – loans receivable are unsecured, bear interest at the rate of 7.25% per annum and repayable by 3 February 2029, with an early repayment option as from 3 February 2026 subject to payment of premium.

Note ii – loan is unsecured, bears interest at the rate of 5% per annum and repayable by 26 August 2023, with an early repayment option as from 27 August 2020 by giving one-month notice.

4. Financial assets at fair value through profit and loss

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Quoted debt instruments	150,000	151,500
	<u>150,000</u>	<u>151,500</u>

5. Deferred tax

The company's deferred tax arises on the following temporary differences:

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Investment income	(935)	(433)
Unabsorbed trading losses	29,430	29,619
	<u>28,495</u>	<u>29,186</u>

Horizon Finance plc

Notes to the Interim Condensed Financial Statements (continued)

For the period 1 January to 30 June 2021

6. Other receivables

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Accrued loan interest income	38,585	99,293
Accrued investment income	6,232	2,885
Prepayments	4,291	4,323
Other receivables	2,375	-
	<u>51,483</u>	<u>106,501</u>

7. Cash and cash equivalents

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Bank balance	<u>55,933</u>	<u>43,176</u>

8. Share capital

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Authorised		
46,600 Ordinary Shares of € 1 each	<u>46,600</u>	<u>46,600</u>
Issued and fully paid-up		
46,600 Ordinary Shares of € 1 each	<u>46,600</u>	<u>46,600</u>

The ordinary shares carry identical voting rights at general meetings of the Company, are equally entitled to any distribution of dividends, and rank simultaneously for any residual assets of the Company after the settlement of all liabilities in the event of the Company's winding up.

Horizon Finance plc

Notes to the Interim Condensed Financial Statements (continued)

For the period 1 January to 30 June 2021

9. Debt securities in issue

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Non-current		
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,945,189	1,942,307

Loans payable to related parties are unsecured, interest free and repayable after more than 12 months.

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bond, using the effective yield method as follows:

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
€ 2,000,000 5% Secured Callable Bonds 2026 - 2029	2,000,000	2,000,000
Issue costs	(67,310)	(67,310)
Accumulated amortisation	12,499	9,617
	(54,811)	(57,693)
Amortised cost	1,945,189	1,942,307

By virtue of a company admission document dated 1 March 2019 the company issued € 2,000,000 secured callable bonds. The bonds have been admitted on Prospects MTF of the Malta Stock Exchange on 21 March 2019.

The bond's interest is payable annually on 15 March, starting from 15 March 2020. The bonds are redeemable at par and are due for redemption on 15 March 2029 but may be redeemed earlier at a premium as from 15 March 2026. The bonds are guaranteed by Middletown Investments Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the company admission document. The guarantor has also pledged its investments in favour of Trident Trust Company Limited for the benefit of the bondholders

Horizon Finance plc

Notes to the Interim Condensed Financial Statements (continued)

For the period 1 January to 30 June 2021

10. Other payables

	30/06/2021	31/12/2020
	€	€
	(unaudited)	(audited)
Accrued expenses	35,268	83,956
Other payables	3,987	2,950
	<u>39,255</u>	<u>86,906</u>

11. COVID-19 pandemic

Throughout the COVID-19 pandemic, the company's focus was to firmly monitor the situation on an ongoing basis, with a view primarily to mitigating as far as possible any negative impact this prolonged event may have on the company's financial performance and position.

The directors remain vigilant of the possible impact of COVID-19 pandemic on the local market and will continue to take all necessary measures to protect the long-term sustainability of the company's operations and financial performance and to safeguard its interests. Management do not envisage there to be any other negative impacts to the company's operations in the years to come.