Horizon Finance plc

Company Registration Number: C 88540

Annual Report and Financial Statements

For the period 1 October 2018 to 31 December 2019

Horizon Finance plc

For the period 1 October 2018 to 31 December 2019

CONTENTS

The directors present their report and the audited financial statements for the period ended 31 December 2019.

Incorporation

The company was incorporated on 1 October 2018 under the terms of the Maltese Companies Act, 1995. Accordingly, the financial statements of the company reflect the period from the date of incorporation to 31 December 2019.

Principal Activities

The company's principal activity is to carry on the business of financing or refinancing of the funding requirements of the company and the group.

Review of Business

By virtue of a company admission document dated 1 March 2019 the company issued € 2,000,000 secured callable bonds with a face value of €100 each and having a coupon interest rate of 5%. The bonds were admitted to trading on Prospects MTF of the Malta Stock Exchange on 21 March 2019.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced to the shareholder, Middletown Investments Limited (which also acts as guarantor) and a group company, Chester Holdings Limited to finance their investment requirements in pursuance of the group's investment and business development strategy.

Financial performance of the company

During the period under review, the company registered a loss before tax amounting to € 4,571. After allowing for deferred tax income, the profit for the period amounted to € 18,842. Finance income amounting to € 108,802 is generated from interest charged on the loans advanced to the shareholder and a group company. Finance costs comprise interest payable on issued bonds and amortisation of the related issue costs amounting to € 84,149. Administrative expenses including directors' and professional fees amounted to € 29,224.

The directors do not expect any significant changes in the company's activities in the short-term period and expect that the company will continue to register a surplus based on projections for the foreseeable future.

Financial position of the company

The company's assets comprise non-current loans of € 1,700,000 advanced to the shareholder and a group company. Accrued interest on these loans amounted to € 108,802, which is due for repayment within 12 months. The company's bank balance at 31 December 2019 stood at € 258,361.

Liabilities include the € 2 million 5% secured bonds (net of amortised issue costs) and accrued coupon interest payable thereon of € 80,000, which are presented within non-current and current liabilities, respectively.

At 31 December 2019, Horizon Finance plc's equity amounted to € 65,442.

The company recognises that the key risk and uncertainty of its business is that of the potential non-fulfilment by the borrowers (that is, Middletown Investments Limited and Chester Holdings Limited) of their loan obligations and obligations set in the bond prospectus.

Guarantor's performance for 2019 and outlook for 2020

Middletown Investments Limited, the guarantor of the bonds issued by Horizon Finance plc, scaled up its investment in Shoreline Holdings Limited, which will be involved in the development, sale and leasing of residential and commercial property in Malta.

The Guarantor is not envisaging any material changes in 2020.

Financial risk management

The company's activities potentially expose it to the following financial risks: credit risk and liquidity risk. Further information on these risks and how they are mitigated by management is disclosed in note 14 to the financial statements.

Results and Dividends

The statement of comprehensive income is set out in page 18.

During the year under review, the directors did not recommend the payment of a dividend.

Directors

The directors of the Company who held office during the period were:

Dr Kevin Deguara

Dr Jean Carl Farrugia

Mr Kenneth Deguara (appointed on 11 December 2018)

Mr Benjamin Muscat (appointed on 11 December 2018)

Mr Robert Ancilleri (appointed on 18 February 2019)

Mr Ryan Otto (appointed on 11 December 2018 and resigned on 18 February 2019)

In accordance with the company's Articles of Association, the present directors are to remain in office.

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, Cap. 386 of the Laws of Malta to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting suitable accounting policies and apply them consistently;
- making judgements and estimates that are reasonable in the circumstances; and
- adopting the going concern basis unless it is inappropriate to presume that the Company will continue in the business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company and the Guarantor face.

Going concern statement

After making enquiries, the directors, at the time of approving the financial statements, have determined that it is reasonable to assume that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Auditor

CCPS Audit Limited have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Approved by the board of directors on 13 April 2020 and signed on its behalf by:

Kevin Deguara Director	Jean Carl Farrugia Director	Benjamin Muscat Director

Registered Address:
Il Piazzetta, A, Suite 52, Level 5
Tower Road
Sliema
Malta

1. Introduction

The Prospects MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance ("the Code").

The Board of Directors (the "Board" or the "Directors") of Horizon Finance plc (the "Company") acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

2. General

Good corporate governance is the responsibility of the Board. In this regard, the Board has carried out a review of the company's compliance with the Code for the financial period being reported upon. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company's size, nature and operations, and acknowledges the view that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations may not be appropriate for the Company. The limitations of size and scope of operations inevitably impact on the structures required to implement the Code, without however diluting the effectiveness thereof. The Board considers that, to the extent otherwise disclosed herein, the Company has generally been in compliance with the Code throughout the year under review.

The following sections will provide details of the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code for the period under review. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Board considers that these have been adhered to, and where it has not. For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles.

3. Compliance with the Code

Principle One: The Board

The Board is composed of members who are fit and proper to direct the business of the company with honesty, competence and integrity. All members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the company.

The Board sets the strategy and direction of the Company and retains direct responsibility for appraising and monitoring the Company's financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company so as to protect the interests of the Shareholders, Bondholders and other relevant stakeholders. The Board is also responsible for making relevant public announcements and for the Company's compliance with the Prospects Rules' continuing obligations.

The Board consists of a mix of executive and non-executive directors.

3. Compliance with the Code (continued)

Principle Two: Chairperson and Chief Executive Officer

Dr Kevin Deguara was appointed as the Chairperson of the Board for the period under review, whose main function is to lead the Board and set its agenda. The Chairperson is also responsible to ensure that the Board receives precise, timely and objective information so that the directors can take sound decisions and effectively monitor the performance of the company. The Chairperson ensures that there is effective communication with stakeholders and, during board meetings, that there is active engagement by all directors for the discussion of complex and/or contentious issues. The Board considers that notwithstanding that the Chairperson is not an independent director as recommended by the Code, the means for addressing potential conflicts of interest are suitably addressed in statute of the company and terms of reference of the Audit Committee of the Company. Furthermore, the Board considers the present Chairperson to be fit and proper to occupy the role.

In terms of the Articles of Association of the company, the Board of Directors may from time to time appoint one or more executive directors to the office of Chief Executive Officer of the company, and on such terms as they think fit. Due to the size and operating nature of the Company, the Board has not appointed a Chief Executive Officer. The day to day running of the Company is vested in the Executive Directors of the Company.

Principle Three: Composition of the Board

The composition of the Board, in line with the requirements of Principle Three of the Code, is composed of a mix of executive and non-executive directors, including independent non-executives, as follows:

Dr Kevin Deguara	Executive director and Chairperson
Dr Jean Carl Farrugia	Executive director
Mr Kenneth Deguara	Executive director
Mr Benjamin Muscat	Independent, non-executive director
Mr Robert Ancilleri	Independent, non-executive director

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment. In terms of the Articles of Association, a Director shall hold office for a period of three years from the date of his appointment, but shall be eligible for re-election.

The Board has a balance of knowledge and experience as well as a strong non-executive presence to allow continued scrutiny of the Company's performance, strategy and governance,

None of the independent non-executive directors:

a) are or have been employed in any capacity with the Company;

b) have or had a significant business relationship with the Company;

c) has received significant additional remuneration from the Company;

d) has close family ties with any of the Company's executive Directors or senior employees;

3. Compliance with the Code (continued)

e) has served on the Board for more than twelve consecutive years; or

f) is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company.

In terms of Code Provision 3.4, each non-executive Director has declared in writing to the Board that he undertakes:

a) to maintain in all circumstances his independence of analysis, decisions and actions;

b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and

c) to clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

Principle Four: The Responsibilities of the Board

In terms of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. The Board of the company is entrusted with the overall direction, administration and management of the company and meets on a regular basis to discuss and take decisions on matters concerning the strategy, operational performance and financial performance of the company. The Board is also responsible for ensuring that the Company establishes and operates effective internal controls and management information systems and that it communicates effectively with the market.

In fulfilling its responsibilities, the Board continuously assesses and monitors the company's present and future operations, opportunities, threats and risks in the external environment, and its current and future strengths and weaknesses.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed legal and other advisors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the company's expense.

During the financial period under review, the Board held three (3) meetings.

In the period under review, the Board has established and maintained an Audit Committee to delegate certain powers, authorities and discretions. The role and competence of such Committee is further described in Principle 8 below.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company. Other key features of the system of internal control adopted by the Company in respect of its own internal control as well as the control of its subsidiaries and affiliates are as follows:

3. Compliance with the Code (continued)

Risk identification

The Board, with the assistance of the management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company and its subsidiaries are involved. These risks are assessed on a continual basis.

Information and communication

Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board.

Principle Five: Board Meetings

The Directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated in advance of the meeting. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. The Chairperson ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues. Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

The Board meets as often as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. The Board met three (3) times during the financial year under review. The following Directors attended Board meetings as follows:

Dr Kevin Deguara	Executive director and Chairperson	[3]
Dr Jean Carl Farrugia	Executive director	[3]
Mr Kenneth Deguara	Executive director	[3]
Mr Benjamin Muscat	Independent, non-executive director	[3]
Mr Robert Ancilleri	Independent, non-executive director	[3]

Audit Committee

The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities: in dealing with issues of risk, control and governance; and in reviewing the financial reporting processes, financial policies and internal control structure. This Committee also manages the Board's relationship with the external auditors.

Furthermore, the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

3. Compliance with the Code (continued)

The composition of the Audit Committee and the members' attendance at meetings during the period under review was as follows:

Mr Benjamin Muscat	Chairperson	[2]
Mr Robert Ancilleri	Member	[2]
Dr Jean Carl Farrugia	Member	[2]

During the financial year under review, the Audit Committee met two (2) times.

Benjamin Muscat and Robert Ancilleri occupy a non-executive director role within the Company. Both are competent in accounting and auditing.

The Directors believe that the majority of the Audit Committee members satisfy the independence criteria as they are independent within the meaning of the Code.

Principle Six: Information and Professional Development

The Board believes that this principle has been duly complied with for the period under review. The Board actively engages with the Guarantor's management team, in the review of their and the Guarantor's performance. The Board ensures that all directors are supplied with precise, timely and clear information so as to enable them to effectively contribute to board decisions in line with the high standards expected of them.

The Company pledges to make available to the directors all training and advice as required. The company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they deem it necessary in order to discharge their responsibilities as directors.

Principle Seven: Evaluation of the Board's Performance

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

The Board considers its own performance, and that of the Audit Committee having oversight of the underlying business conducted by the Guarantor, as satisfactory and not meriting a revision to the company's corporate governance structures.

3. Compliance with the Code (continued)

Principle Eight: Remuneration and Nomination Committees

Principle Eight A: Remuneration Committee

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code, given that the remuneration of the Directors is not performance-related.

The maximum annual aggregate emoluments that may be paid to the Directors is, pursuant to the Company's Memorandum and Articles of Association, approved by the shareholders in general meeting.

The remuneration policy for directors has been consistent since inception; no Director (including the chairperson) is entitled to profit sharing, share options or pension benefits. There is no linkage between the remuneration and the performance of Directors. A fixed honorarium is payable to the independent non-executive Directors.

For the financial year under review the aggregate remuneration of the Directors of the Company was as follows:

Fixed remuneration	€ 12,425

The independent non-executive Directors in receipt of an honorarium are party to a service contract with the company, setting out their respective roles and responsibilities, and applicable remuneration.

Principle Eight: Remuneration and Nomination Committees (continued)

Principle Eight B: Nomination Committee

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a nomination committee. Reference is also made to the information provided under the subheading 'Principle Three' above, which provides for a formal and transparent procedure for the appointment of new Directors to the Board.

Principle Nine: Relations with Shareholders and with the Market

The Company is highly committed to having an open and communicative relationship with its investors. The publication of interim and annual financial statements and ongoing company announcements keep bondholders informed on developments relevant to their investment. The Board serves the legitimate interests of the company, and ensures that the company communicates with the market effectively and in a timely manner through a number of company announcements that it publishes, informing the market of significant events relevant to the company and its business. The company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner.

As a source of further information to the market, the company's website (http://www.horizonfinanceplc.com) also contains information about the company and its business and developments.

3. Compliance with the Code (continued)

Principle Ten: Institutional Shareholders

The Company has no institutional investors.

Principle Eleven: Conflicts of Interest

It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately addressed. The steps taken will depend on the circumstances of the particular case and may include the setting up of ad-hoc committees of independent Directors that would assist and monitor management as appropriate in the execution of specific transactions. By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Memorandum and Articles of Association. The Board believes that this is a procedure that achieves compliance with both the letter and rationale of principle eleven. In situations giving rise to potential conflicts of interest, the conflicted Directors are to act in accordance with the majority decision of those Directors who are not conflicted in the proposed contract, transaction or arrangement, and in line with the advice of outside legal counsel where such is solicited.

In respect of transactions with related parties, the Directors are not aware of transactions other than those disclosed in note 15 to the financial statements.

Principle Twelve: Corporate Social Responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders and of the employees of the Company.

The Board is mindful of the environment and its responsibility within the community in which it operates. In carrying on its business, the Company is fully aware and at the forefront to preserving the environment and continuously review its policies aimed at respecting the environment and encouraging social responsibility and accountability.

3. Compliance with the Code (continued)

Non-Compliance with the Code

The directors set out below the Code Provisions with which the company is not complying for the reasons mentioned below:

Principle Two: Chief Executive Officer

Although the Articles of Association of the company allow for the appointment of a Chief Executive Officer, no such officer has been appointed for the period under review.

With respect to Code Provision 2.3, the Board notes that the Chairperson is also an executive member of the Board. However, the Board is of the view that this function of the Chairperson does not impinge on his ability to bring to bear independent judgement to the Board.

Principle Four: Succession Policy

The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7. However, the Board notes that pursuant to the Company's Memorandum and Articles of Association, with the exception of casual vacancies, the appointment of directors to serve on the Board is entirely reserved to the shareholders of the Company. All newly appointed Directors are made fully aware of the Company's operations, activities and procedures to be able to carry out their function in an effective manner. Considering the above, the Company's business nature and a strong presence of non-executive directors on the Board, the Company does not consider it feasible to have such a succession policy in place.

Principle Seven: Evaluation of the Board's Performance

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1. The Board believes that the size of the company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad-hoc committee for this purpose. The Board shall retain this matter under review over the coming year.

Principle Eight: Committees

The Board has not appointed a Remuneration Committee in line with Code Provision 8A. The Board believes that the size of the company and the Board itself does not warrant the setting up of an ad hoc committee to establish the remuneration packages of individual directors, and relies on the constant scrutiny of the Board itself, the company's shareholders, the market and the rules by which the company is regulated as a listed company. In addition, the Board took into consideration the fact that the remuneration of the Board is not performance related. The Board intends to keep under review the utility and possible benefits of having a Remuneration Committee in due course.

The Board has not appointed a Nominations Committee in line with Code Provision 8B. The Board believes that the setting up of a Nominations Committee is not required since the Board itself has the authority to recommend and nominate directors.

Principle Nine: Relationship with minority shareholders

The Company does not have procedures in place stipulated in the Company's Memorandum and Articles of Association as there are no minority shareholders and a mechanism to resolve conflict between minority and controlling shareholders is therefore not considered necessary.

3. Compliance with the Code (continued)

General meetings

The general meeting is the highest decision-making body of the company and is regulated by its Articles of Association. All shareholders registered on the register of members of the company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days' notice, which notice must specify the place, day and hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of such special business. The notice period may be reduced to 14 days if certain conditions are satisfied. The quorum of shareholders required is not less than fifty-one (51%) of the nominal value of the issued share capital in respect of which holders thereof are entitled to attend and vote at the meeting. Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such person. The directors' statement of responsibilities for preparing the financial statements is set out on page 3.

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Approved by the Board of Directors on 13 April 2020 and signed on its behalf by:

Kevin Deguara Director	Jean Carl Farrugia Director	Benjamin Muscat Director

Independent Auditor's Report

To the Shareholders of Horizon Finance plc on the Audit of the Financial Statements

For the period 1 October 2018 to 31 December 2019

Opinion

We have audited the accompanying financial statements of Horizon Finance plc set out on pages 18 to 35 which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Company as at 31 December 2019, and of its financial performance for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of loans issued to the related parties

Loans and receivables include funds advanced to the shareholder, Middletown Investments Limited (which is also the guarantor of the bonds issued by the Company) and a group company, Chester Holding Limited. The loan balance with these related parties as at 31 December 2019 amounted to € 1,700,000. As explained in accounting policy note 2b, the recoverability of the loans is assessed at the end of each financial period. The loans are the principal assets of the company, which is why we have given additional attention to this area.

Our audit procedures included agreeing the terms of these loans to underlying loan agreements. We have assessed the financial soundness of these related parties. In doing this, we made reference to the latest audited financial statements, management accounts, cash flows projections, forecasts and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Art. 177 of the Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with the Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue operating as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Prospects Rules issued by the Malta Stock Exchange require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Prospects Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 13 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

Other matters on which we are required to report by exception

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditor of the Company on 28 August 2019.

Clive Caruana
for and on behalf of
CCPS Audit Limited

15, Level 1, Suite 4
Naxxar Road
Birkirkara BKR 9049
Malta

13 April 2020

Horizon Finance plc

Statement of Comprehensive Income

For the period 1 October 2018 to 31 December 2019

	Note	2019 (15 months) €
Finance income	3.	108,802
Finance costs	4.	(84,149)
Administrative expenses		(29,224)
Loss before tax	5.	(4,571)
Taxation	6.	23,413
Profit for the period		18,842
Earnings per share		0.4043

Horizon Finance plc

Statement of Financial Position

As at 31 December 2019

	Note	2019 €
ASSETS		
Non-current assets		
Loans receivable	7.	1,700,000
Deferred tax	8.	23,413
Total non-current assets		1,723,413
Current assets		
Other receivables	9.	111,859
Cash and cash equivalents	10.	258,361
Total current assets		370,220
TOTAL ASSETS		2,093,633

Horizon Finance plc

Statement of Financial Position

As at 31 December 2019

	Note	2019
		€
EQUITY AND LIABILITIES		
Equity		
Share capital	11.	46,600
Retained earnings		18,842
Total equity		65,442
Liabilities		
Non-current liabilities		
Debt securities in issue	12.	1,936,839
Current liabilities		
Other payables	13.	91,352
Total liabilities		2,028,191
TOTAL EQUITY AND LIABILITIES		2,093,633

These financial statements on pages 18 to 35 were approved by the board of directors on 13 April 2020 and were signed on its behalf by:

Kevin Deguara
Director

Jean Carl Farrugia
Director

Benjamin Muscat
Director

Horizon Finance plc

Statement of Changes in Equity

For the period 1 October 2018 to 31 December 2019

	Share capital	Retained earnings	Total equity
	€	€	€
Issue of share capital	46,600	-	46,600
Profit for the period	-	18,842	18,842
Balance at 31 December 2019	46,600	18,842	65,442

Horizon Finance plc

Statement of Cash Flows

For the period 1 October 2018 to 31 December 2019

		2019 (15 months) €
Cash from operating activities:		
Profit for the period		18,842
Tax income		(23,413)
Loan interest income		(108,802)
Bond coupon expense		80,000
Amortisation of bond issue costs		4,149
Loss from operations		(29,224)
Movement in other receivables		(3,057)
Movement in other payables		11,352
Net cash flows used in operating activities		(20,929)
Cash flows from investing activities:		
Proceeds from loans advanced		(1,700,000)
Net cash flows used in investing activities		(1,700,000)
Cash flows from financing activities:		
Proceeds from issue of share capital		46,600
Proceeds from issue of bonds		2,000,000
Payment of bond issue costs		(67,310)
Net cash flows from financing activities		1,979,290
Net movement in cash and cash equivalents		258,361
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	10.	258,361

1. Basis of preparation

a. Statement of compliance

The financial statements have been prepared and presented in accordance with the requirements of the International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU and the requirements of the Companies Act, 1995.

These financial statements present information about the company as a single undertaking.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

Standards, interpretations and amendments to published standards effective in 2018

In 2019, the company adopted standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 October 2018.

c. Functional and presentation currency

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

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

2. Significant Accounting Policies

a. Impairment testing of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Significant Accounting Policies (continued)

b. 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).

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).

2. Significant Accounting Policies (continued)

b. Financial instruments

ii. Financial assets

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

The company subsequently measures all equity investments at fair value through profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in finance income in the statement of profit or loss as applicable. Dividends from such investments continue to be recognised in profit or loss as finance income when the entity's right to receive payments is established.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss 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.

2. Significant Accounting Policies (continued)

b. Financial instruments

ii. Financial assets

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.

c. Trade and other receivables

Trade and other receivables comprise accrued loan interest income receivable from related parties and prepayments. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Details about the company's impairments policies are provided in Note 2b.

d. 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.

2. Significant Accounting Policies (continued)

e. Debt securities in issue and borrowings

Borrowings are recognised initially at fair value of proceeds received net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include underwriting, legal and professional fees, stockbrokers' commission and advertising costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

f. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

g. 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 carryforward 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.

2. Significant Accounting Policies (continued)

h. 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 includes current period profit.

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.

i. Revenue recognition

Interest income

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

j. Revenue recognition

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.

k. Significant management judgement and estimates

International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates in the preparation of financial statements. IFRS also requires management to exercise judgement in the process of applying the company's accounting policies. Any areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are required to be separately disclosed. For the period ended 31 December 2019, there are no significant judgements and estimates that management believes are critical and require separate disclosure.

3. Finance income

	2019 (15 months) €
Interest on loans to related parties	108,802

4. Finance costs

	2019 (15 months) €
Coupon interest payable on bonds	80,000
Amortisation of bond issue costs	4,149
	84,149

5. Loss before tax

Loss before tax is stated after charging the following:

	2019 (15 months) €
Audit fee	1,600
Directors' remuneration	12,425

6. Taxation

	2019 (15 months) €
Deferred tax income	23,413

The tax income and the result of loss before tax multiplied by the statutory income tax rate is reconciled as follows:

	2019 (15 months) €
Loss before tax	(4,571)
Tax at 35%	1,600
Tax effect of:	
Expenses disallowed for tax purposes	(1,746)
Bond issue costs	23,559
	23,413

7. Loans receivable

	2019
	€
Loan receivable from shareholder	850,000
Loan receivable from group company	850,000
	1,700,000

Loans receivable from related companies are unsecured, bear interest at the rate of 8% per annum and repayable by 3 February 2029, with an early repayment option as from 3 February 2026 subject to payment of premium.

8. Deferred tax

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

	2019
	€
Unabsorbed trading losses	23,413

9. Other receivables

	2019
	€
Accrued income	108,802
Prepayment	3,057
	111,859

10. Cash and cash equivalents

	2019
	€
Bank balances	258,361

11. Share capital

	2019
	€
Authorised	
46,600 Ordinary Shares of € 1 each	46,600
Issued and fully paid-up	
46,600 Ordinary Shares of € 1 each	46,600

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.

12. Debt securities in issue

	2019
	€
Non-current	
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,936,839

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:

	2019
	€
Face value	
€ 2,000,000 5% Secured Callable Bonds 2026 - 2029	2,000,000
Issue costs	(67,310)
Accumulated amortisation	4,149
	(63,161)
Amortised cost at 30 June 2019	1,936,839

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.

13. Other payables

	2019
	€
Accrued expenses	81,875
Amount payable to shareholder	5,900
Amount payable to related party	788
Other payables	2,789
	91,352

Amounts payable to related parties are unsecured, interest free and repayable within 12 months.

14. Financial risk management

Risk management objectives and policies

Horizon Finance plc is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

Responsibility for risk management rests with the company's directors who develop and monitor risk management policies and oversees the management of the risks.

Credit risk

Credit risk is the risk of financial loss to the company if the counterparty fails to meet its obligation. Credit risk arises from operating activities from loans and other receivables, and cash and cash equivalents, which are subject to the expected credit loss model.

The company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical data and forward-looking information in determining any expected credit loss.

The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The company does not hold any collateral as security in this respect.

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue accounts, to ensure minimal dependencies on a small number of customers, and to assess impairment.

For the loan and amounts receivable from related parties, management monitors credit exposures at individual entity level and ensures timely performance in the context of overall liquidity management. The company takes cognisance of the related party relationship with these debtors and management does not expect any losses from non-performance or default, based on 12-month expected credit losses.

14. Financial risk management (continued)

Risk management objectives and policies (continued)

The company's cash is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

As at the end of the reporting period, the company had no past due or impaired financial assets.

The company's credit risk exposure is as follows:

	2019
	€
Financial assets measured at amortised cost	
Loan receivables	1,700,000
Other receivables	108,802
Cash and cash equivalents	258,361
	2,067,163

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its short-term obligations associated with financial liabilities.

Liquidity needs are monitored by the directors to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses or breaches in borrowing limits or covenants. Liquidity is managed by reviewing expected cash flows through cash flow forecasts, maintaining sufficient liquid funds and committed credit facilities to meet the company's funding obligations, and matching maturity profiles of financial assets and liabilities.

At period-end, the company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Carrying amount		Contractual cash flows	
		Less than 1 year	1 to 5 years	Over 5 years
	€	€	€	€
31 December 2019				
Debt securities in issue	1,936,839	100,000	400,000	2,500,000
Other payables	88,563	88,563	-	-
	2,025,402	188,563	400,000	2,500,000

15. Related parties

a. Controlling party

The parent company of Horizon Finance plc is Middletown Investments Limited.

b. Transactions with related parties

	Transactions for the period 2019 (15 months) €	Balance outstanding 2019 €
Transactions with shareholder:		
Loan advanced to	850,000	850,000
Interest income on loan advanced to	54,401	54,401
Amount advanced from	(5,900)	(5,900)
Transactions with directors:		
Remuneration payable to	(12,425)	(344)
Transactions with group companies:		
Loan advanced to	850,000	850,000
Interest income on loan advanced to	54,401	54,401
Professional fees from	(633)	-
Transactions with other related party:		
Amount advanced from	(788)	(788)

16. Capital management policies

The Company's bonds and related finance costs are guaranteed by the shareholder. The capital management of the Company therefore consists of a process of regularly monitoring the financial position of the guarantor.

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;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the bonds

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amounts of dividends paid to the shareholders, return capital to the shareholders, issue new shares, or sell assets to reduce debt. The directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

17. Fair value of financial instruments

At 31 December 2019, the carrying amounts of receivables and payables are assumed to approximate their fair values.

18. Statutory information

Horizon Finance plc is a public limited liability company and is incorporated in Malta.

Schedule of Administrative Expenses

	2019 (15 months) €
Administrative expenses	
Audit fee	1,600
Bank charges	22
Company registration fee	350
Consulting and professional fees	8,089
Directors' remuneration	12,425
Formation expenses	788
Penalties	50
Prospects admission fee	5,900
	29,224