

Horizon Finance plc

Company Registration Number: C 88540

Half-yearly financial report

For the period 1 January to 30 June 2020

Horizon Finance plc

For the period 1 January to 30 June 2020

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Horizon Finance plc

Interim Directors' Report

For the period 1 January to 30 June 2020

The directors present their report and the half yearly financial results for the period 1 January to 30 June 2020.

This half-yearly report is being published in terms of Chapter 4 of the Prospects Rules of the Malta Stock Exchange. The half-yearly report comprises the unaudited condensed interim financial statements for the period ended 30 June 2020 prepared in accordance with IAS 34, *Interim Financial Reporting*.

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 interest income from loans amounted to € 51,086. Expenses incurred during this period included bond interest expense of € 49,508, amortisation of bond issue costs of € 2,734 and administrative expenses of € 13,420. After adding deferred tax income of € 4,145, the company's loss for the 6-month period to 30 June 2020 amounted to € 10,431.

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

Approved by the board of directors on 24 August 2020 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

Condensed Statement of Comprehensive Income

For the period 1 January to 30 June 2020

	01/01/2020 to 30/06/2020 (6 months) €	01/10/2018 to 30/06/2019 (9 months) €
Finance income	51,086	40,242
Finance costs	(52,242)	(31,118)
Administrative expenses	(13,420)	(7,236)
(Loss)/profit before tax	(14,576)	1,888
Tax income	4,145	22,069
(Loss)/profit for the period	(10,431)	23,957
(Loss)/earnings per share	(0.2238)	0.5141

Horizon Finance plc**Condensed Statement of Financial Position****As at 30 June 2020**

		30/06/2020	31/12/2019
	Note	€	€
ASSETS			
Non-current assets			
Loans receivable	3.	1,700,000	1,700,000
Deferred tax	4.	27,558	23,413
Total non-current assets		<u>1,727,558</u>	<u>1,723,413</u>
Current assets			
Other receivables	5.	165,520	111,859
Cash and cash equivalents	6.	134,968	258,361
Total current assets		<u>300,488</u>	<u>370,220</u>
TOTAL ASSETS		<u><u>2,028,046</u></u>	<u><u>2,093,633</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7.	46,600	46,600
Retained earnings		8,411	18,842
Total equity		<u>55,011</u>	<u>65,442</u>
Liabilities			
Non-current liabilities			
Debt securities in issue	8.	1,939,573	1,936,839
Current liabilities			
Other payables	9.	33,462	91,352
Total liabilities		<u>1,973,035</u>	<u>2,028,191</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,028,046</u></u>	<u><u>2,093,633</u></u>

These condensed financial statements on pages 2 to 12 were approved by the board of directors on 24 August 2020 and signed on its behalf by:

Kevin Deguara
Director

Jean Carl Farrugia
Director

Horizon Finance plc

Condensed Statement of Changes in Equity

For the period 1 January to 30 June 2020

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

	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

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Condensed Statement of Cash Flows

For the period 1 January to 30 June 2020

	01/01/2020 to 30/06/2020 (6 months) €	01/10/2018 to 30/06/2019 (9 months) €
Net cash flows used in operating activities	(23,393)	(40,062)
Net cash flows used in investing activities	-	(1,700,000)
Net cash flows (used in)/from financing activities	(100,000)	1,979,290
Net movement in cash and cash equivalents	<u>(123,393)</u>	<u>239,228</u>
Cash and cash equivalents at beginning of period	<u>258,361</u>	-
Cash and cash equivalents at end of period	<u><u>134,968</u></u>	<u><u>239,228</u></u>

1. Basis of preparation

a. Statement of compliance

These 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 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 2020.

b. Basis of measurement

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

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.

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.

2. Significant Accounting Policies (continued)

a. Financial instruments (continued)

ii. Financial assets (continued)

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.

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.

2. Significant Accounting Policies (continued)

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 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.

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 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.

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Notes to the Condensed Financial Statements

For the period 1 January to 30 June 2020

3. Loans receivable

	30/06/2020	31/12/2019
	€	€
Loan receivable from shareholder	850,000	850,000
Loan receivable from group company	850,000	850,000
	<u>1,700,000</u>	<u>1,700,000</u>

The loans receivable from related parties 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.

4. Deferred tax

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

	30/06/2020	31/12/2019
	€	€
Unabsorbed trading losses	27,558	23,413

5. Other receivables

	30/06/2020	31/12/2019
	€	€
Accrued income	159,888	108,802
Prepayment	5,632	3,057
	<u>165,520</u>	<u>111,859</u>

6. Cash and cash equivalents

	30/06/2020	31/12/2019
	€	€
Bank balance	134,968	258,361

Horizon Finance plc

Notes to the Condensed Financial Statements

For the period 1 January to 30 June 2020

7. Share capital

	30/06/2020	31/12/2019
	€	€
Authorised		
46,600 Ordinary Shares of € 1 each	46,600	46,600
Issued and fully paid-up		
46,600 Ordinary Shares of € 1 each	46,600	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.

8. Debt securities in issue

	30/06/2020	31/12/2019
	€	€
Non-current		
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,939,573	1,936,839

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:

	30/06/2020	31/12/2019
	€	€
€ 2,000,000 5% Secured Callable Bonds 2026 - 2029	2,000,000	2,000,000
Issue costs	(67,310)	(67,310)
Accumulated amortisation	6,883	4,149
	(60,427)	(63,161)
Amortised cost	1,939,573	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.

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Notes to the Condensed Financial Statements

For the period 1 January to 30 June 2020

9. Other payables

	30/06/2020	31/12/2019
	€	€
Accrued expenses	32,014	81,875
Amount payable to shareholder	-	5,900
Amount payable to related party	-	788
Other payables	1,448	2,789
	<u>33,462</u>	<u>91,352</u>

Amount payable to related parties were unsecured, interest free and repayable within 12 months.

Horizon Finance plc

Directors' Statement on the Condensed Financial Statements

For the period 1 January to 30 June 2020

We confirm that, to the best of our knowledge, the condensed set of financial statements attached herewith, which have been prepared in accordance with IAS 34, *Interim Financial Reporting* gives a true and fair view of the assets, liabilities, financial position and loss of Horizon Finance plc and that the interim directors' report includes a fair review of the information required in terms of Rule 4.11.12 of the Prospects Rules.

Approved by the board of directors on 24 August 2020 and signed on its behalf by:



Kevin Deguara
Director



Jean Carl Farrugia
Director

Registered Address:

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