Horizon Finance plc

Company Registration Number: C 88540

Half-yearly financial report

For the period 1 October 2018 to 30 June 2019

Horizon Finance plc

For the period 1 October 2018 to 30 June 2019

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Interim Directors' Report

For the period 1 October 2018 to 30 June 2019

The directors present their report and the half yearly financial results for the period starting on 1 October 2018 (being date of incorporation) till 30 June 2019.

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 2019 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 € 40,242. Expenses incurred during this period included bond interest expense of € 29,589, amortisation of bond issue costs of € 1,529 and administrative expenses of € 7,236. After adding deferred tax income of € 22,069, the company's profit from incorporation to 30 June 2019 amounted to € 23,957.

Significant events during the period under review

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.

On 3 March 2019, the company also entered into agreements with its shareholders to advance loans amounting to € 1,700,000, for the purposes of funding a related company's investing and working capital requirements.

The directors expect that the activities of the company will remain consistent for the foreseeable future.

Approved by the board of directors on 26 August 2019 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 October 2018 to 30 June 2019

	1 October 2018 to 30 June 2019 (9 months)
	€
Finance income	40,242
Finance costs	(31,118)
Administrative expenses	(7,236)
Profit before tax	1,888
Tax income	22,069
Profit for the period	23,957
Earnings per share	0.5141

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Condensed Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019 €
ASSETS		
Non-current assets		
Loans receivable	3.	1,700,000
Deferred tax	4.	22,069
Total non-current assets		1,722,069
Current assets		
Other receivables	5.	76,160
Cash and cash equivalents	6.	239,228
Total current assets		315,388
TOTAL ASSETS		2,037,457
EQUITY AND LIABILITIES		
Equity		
Share capital	7.	46,600
Retained earnings		23,957
Total equity		70,557
Liabilities		
Non-current liabilities		
Debt securities in issue	8.	1,934,219
Current liabilities		
Other payables	9.	32,681
Total liabilities		1,966,900
TOTAL EQUITY AND LIABILITIES		2,037,457

These condensed financial statements on pages 2 to 11 were approved by the board of directors on 26 August 2019 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 October 2018 to 30 June 2019

	Share capital	Retained earnings	Total equity
	€	€	€
Issue of share capital	46,600	-	46,600
Profit for the period	-	23,957	23,957
Balance at 30 June 2019	46,600	23,957	70,557

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Condensed Statement of Cash Flows

For the period 1 October 2018 to 30 June 2019

	1 October 2018 to 30 June 2019 (9 months)
	€
Net cash flows used in operating activities	(40,062)
Net cash flows used in investing activities	(1,700,000)
Net cash flows from financing activities	1,979,290
Net movement in cash and cash equivalents	239,228
Cash and cash equivalents at end of period	239,228

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 Prospects 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 2019.

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 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)

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

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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 revenue in the income statement.

3. Loans receivable

	30 June 2019
	€
Loans receivable from shareholders	1,700,000

The loans receivable from shareholders 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.

4. Deferred tax

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

	30 June 2019
	€
Unabsorbed trading losses	22,069

5. Other receivables

	30 June 2019
	€
Accrued income	40,242
Amount receivable from related party	34,950
Prepayment	968
	76,160

Amount receivable from related party is unsecured, interest free and repayable within 12 months.

6. Cash and cash equivalents

	30 June 2019
	€
Bank balances	239,228

7. Share capital

	30 June 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.

8. Debt securities in issue

	30 June 2019
	€
Non-current	
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,934,219

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 June 2019
	€
Face value	
€ 2,000,000 5% Secured Callable Bonds 2026 - 2029	2,000,000
Issue costs	(67,310)
Accumulated amortisation	1,529
	(65,781)
Amortised cost at 30 June 2019	1,934,219

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.

9. Other payables

	30 June 2019
	€
Accrued expenses	30,352
Amount payable to related party	788
Other payables	1,541
	32,681

Amount payable to related party is unsecured, interest free and repayable within 12 months.

Horizon Finance plc

Directors' Statement on the Condensed Financial Statements

For the period 1 October 2018 to 30 June 2019

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 profit 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 26 August 2019 and signed on its behalf by:

Kevin Deguara
Director

Jean Carl Farrugia
Director

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