HORIZON FINANCE PLC – C88540

Il Piazzetta A, Suite 52,
Tower Road,
Sliema, SLM 1607
(the "**Company**")

COMPANY ANNOUNCEMENT

The following is a Company Announcement Ref No. HRZ40 issued by the Company on the 30th April 2021 in terms of the rules of Prospects MTF.

Quote

Results of Board of Directors' Meeting of Guarantor

Reference is made to Company Announcement Ref No. HRZ39, wherein the Company announced that it is informed that a continuation meeting of the board of directors of Middletown Investments Limited (C75568) (the "**Guarantor**") has been scheduled for the 30th April 2021.

The Company is informed that the board of directors of the Guarantor approved the annual report and audited financial statements for the year ended 31st December 2020, which are being enclosed herewith.

The board of directors of the Gurantor noted that material variances resulted in the financial sustainability forecasts ("**FSFs**") for the year ended 31st December 2020 which were included in the Company Admission Document dated 1st March 2019, and this as reported in the Directors' Report.

Furthermore, the Company is informed that the Guarantor's FSFs for the twelve-month period ending 31st December 2021, as included in the Company Admission Document, are still valid.

A copy of the Annual Report and Audited Financial Statements can be found at http://horizonfinanceplc.com/investor/

Horizon Finance plc

Unquote

Johan Farrugia
Company Secretary

30th April 2021

Middletown Investments Limited

Company Registration Number: C 75568

Annual Report and Consolidated Financial Statements

For the Year Ended 31 December 2020

Middletown Investments Limited

For the Year Ended 31 December 2020

CONTENTS

The directors present their report together with the financial statements of the Parent Company and the consolidated financial statements of the Group for the year ended 31 December 2020.

Principal Activities

The Company acts as a holding and investment company whose principal object is to own directly or indirectly, manage, administer and dispose of property of any kind, predominantly real estate, lend and advance money, give credit, grant or provide guarantees, hypothecs, privileges, charges, security interests or other security, exclusively to, or in favour of companies or partnerships which form part of the same group of companies.

The principal activity of the Company's subsidiary, Horizon Finance plc is to carry on the business of financing or refinancing of the funding requirements of the Company and the Group.

Financial performance of the Group

The Group's statement of comprehensive income shows a profit before tax of € 53,306 for 2020, compared to a loss before tax of € 128,904 registered during the 2019 financial year.

During 2020, the Group generated finance income of € 177,093 (2019: € 54,401), primarily from interest income on loans to group companies. The Group's finance costs, which comprise interest on the outstanding bond issue and the amortisation of the issue costs thereof, amount to € 105,468 and € 84,149 for 2020 and 2019, respectively.

The Group's share of profit from its associates is € 21,618 for 2020 compared to a loss of € 66,548 in 2019.

In 2020, the Group incurred administrative expense of € 39,937 (2019: € 32,608).

Financial position of the Group

The Group's total asset base at 31 December 2020 stands at € 4,509,057 (2019: € 4,143,369). Non-current assets comprise mainly investments in associates and loans receivable from group companies. Accrued interest and investment income, and cash and cash equivalents are the Group's principal current assets.

The Group's main non-current liabilities are debt securities in issue of € 1,942,307 (2019: € 1,936,839) and borrowings from related parties of € 2,083,148 (2019: € 1,583,148).

At 31 December 2020, the Group's total equity attributable to owners of the parent and non-controlling interest is € 75,009 (2019: € 215,930). The decrease in total equity is mainly attributable to the payment of a dividend of € 200,000 to the shareholders.

Performance for 2020 and outlook for 2021

In 2020 Middletown Investments Limited scaled up its investment in Shoreline Holdings Limited in line with the Group's investment strategy and plans. These were funded by borrowings from related parties.

The directors do not expect any significant changes in the Group's activities in the short-term period.

Principal risks and uncertainties

The Company holds shares in entities involved in the real estate and retail industries. To this effect, the Group recognises that both industries are highly competitive in nature which could bear a material adverse impact on the company's business and financial position. The Company also recognises that its investments in the property market are relatively illiquid and subject to environment risks which, should they materialise, could have a negative impact on the Group. The Group also notes that supply chain interruptions and risks inherent to the franchising model adopted by The Convenience Shop (Holding) plc may also negatively impact the business of the Group.

Material variance

The Board of Directors notes that the profit before tax of the Group amounts to € 53,306 as opposed to the projections in the Company Admission Document which were forecasted to amount to €161,000 for the year under review.

The abovementioned difference between the 2020 results and the projections is mainly attributable to the fact that the land owned by the Shoreline Group was not revalued by the end of the year, in particular because the project is still in its phasing in stage. The Directors anticipate that the land would be revalued to its open market value based on a valuation of an independent architect by the end of the next financial year.

Moreover, the Company's profitability has been impacted in terms of its indirect investment in The Convenience Shop (Holding) p.l.c., as a result of the adverse effects brought about by the COVID-19 pandemic.

Financial risk management

The Group's activities potentially expose it to the following financial risks: credit risk and liquidity risk. Further information on these risks and how they're mitigated by management is disclosed in note 20 to the financial statements.

Results and Dividends

The statement of comprehensive income is set out in page 4.

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 year were:

Dr Kevin Deguara

Dr Jean Carl Farrugia

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 Group and the Company and of the profit or loss 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 Group and 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 Group and the Company and to enable it 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the directors on 29 April 2021 and signed by:

Dr Kevin Deguara Director	Dr Jean Carl Farrugia Director

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

Middletown Investments Limited

Statements of Comprehensive Income

For the Year Ended 31 December 2020

		Company		**Group**	
		2020	**2019**	**2020**	**2019**
	Note	**€**	**€**	**€**	**€**
Dividend income		200,000	479,591	-	-
Finance income	4.	115,306	-	177,093	54,401
Gain on fair value of investment in associates		355,806	76,000	-	-
Share of profit/(loss) from equity accounted investments		-	-	21,618	(66,548)
Administrative expenses		(8,278)	(3,384)	(39,937)	(32,608)
Finance costs	5.	(56,525)	(54,401)	(105,468)	(84,149)
Profit/(loss)before tax		606,309	497,806	53,306	(128,904)
Taxation	8.	(124,532)	(26,600)	5,773	23,413
Profit/(loss) for the year - total comprehensive income/(loss)		481,777	471,206	59,079	(105,491)

Attributable to:		
Owners of the parent	59,079	(105,491)
Non-controlling interest	-	-
	59,079	(105,491)

Middletown Investments Limited

Statement of Financial Position

As at 31 December 2020

		Company		Group	
		2020	**2019**	**2020**	**2019**
	Note	**€**	**€**	**€**	**€**
ASSETS					
Non-current assets					
Investment in subsidiary	9.	46,598	46,598	-	-
Investment in associates	10.	5,148,497	4,292,691	-	-
Investments accounted for using the equity method	10.	-	-	2,399,648	2,078,030
Financial assets at fair value through profit and loss	11.	-	-	151,500	-
Loans receivable	12.	872,000	872,000	1,772,000	1,722,000
Deferred tax assets	13.	-	-	29,186	23,413
Total non-current assets		6,067,095	5,211,289	4,352,334	3,823,443
Current assets					
Other receivables	14.	53,681	5,900	110,974	57,458
Current tax receivable		-	-	1,250	-
Cash and cash equivalents	15.	1,323	4,107	44,499	262,468
Total current assets		55,004	10,007	156,723	319,926
TOTAL ASSETS		6,122,099	5,221,296	4,509,057	4,143,369

Middletown Investments Limited

Statement of Financial Position

As at 31 December 2020

	Note	Company 2020 €	Company 2019 €	Group 2020 €	Group 2019 €
EQUITY AND LIABILITIES					
Equity					
Share capital	16.	1,200	1,200	1,200	1,200
Retained earnings		2,276,777	1,995,000	73,807	214,728
Total attributable to owners		2,277,977	1,996,200	75,007	215,928
Non-controlling interest		-	-	2	2
Total equity		2,277,977	1,996,200	75,009	215,930
Liabilities					
Non-current liabilities					
Deferred tax liabilities	13.	540,079	415,547	-	-
Debt securities in issue	17.	-	-	1,942,307	1,936,839
Other borrowings	18.	2,933,148	2,433,148	2,083,148	1,583,148
Total non-current liabilities		3,473,227	2,848,695	4,025,455	3,519,987
Current liabilities					
Other payables	19.	370,895	376,401	408,593	407,452
Total current liabilities		370,895	376,401	408,593	407,452
Total liabilities		3,844,122	3,225,096	4,434,048	3,927,439
TOTAL EQUITY AND LIABILITIES		6,122,099	5,221,296	4,509,057	4,143,369

The notes on pages 11 to 33 form an integral part of these financial statements.

These financial statements on pages 4 to 33 were approved by the directors on 29 April 2021 and were signed by:

Dr Kevin Deguara
Director

Dr Jean Carl Farrugia
Director

Middletown Investments Limited

Statements of Changes in Equity

For the Year Ended 31 December 2020

Company

	Share capital	Retained earnings	Total equity
	€	€	€
At 1 January	1,200	1,995,000	1,996,200
Profit for the year	-	481,777	481,777
Transactions with shareholders:			
Ordinary dividends	-	(200,000)	(200,000)
Balance at 31 December 2020	1,200	2,276,777	2,277,977
At 1 January	1,200	1,523,794	1,524,994
Profit for the year	-	471,206	471,206
Balance at 31 December 2019	1,200	1,995,000	1,996,200

Middletown Investments Limited

Statements of Changes in Equity

For the Year Ended 31 December 2020

Group

	Share capital	Retained earnings	Total attributable to owners	Non-controlling interest	Total equity
	€	€	€	€	€
At 1 January	1,200	214,728	215,928	2	215,930
Profit for the year	-	59,079	59,079	-	59,079
Transactions with owners:					
Ordinary dividends	-	(200,000)	(200,000)	-	(200,000)
Balance at 31 December 2020	1,200	73,807	75,007	2	75,009
At 1 January	1,200	320,219	321,419	2	321,421
Loss for the year	-	(105,491)	(105,491)	-	(105,491)
Balance at 31 December 2019	1,200	214,728	215,928	2	215,930

Middletown Investments Limited

Statement of Cash Flows

For the Year Ended 31 December 2020

Company

	Note	2020	2019
		€	€
Cash from operating activities:			
Profit for the year		481,777	471,206
Tax expense		124,532	26,600
Interest income		(115,306)	-
Interest expense		56,525	54,401
Dividend income		(200,000)	(479,591)
Gain on fair value of investment in associates		(355,806)	(76,000)
Loss from operations		(8,278)	(3,384)
Movement in other receivables		5,900	(5,900)
Movement in other payables		(270)	1,000
Net cash flows used in operating activities		(2,648)	(8,284)
Cash flows from investing activities:			
Payments to acquire investment in associates		(500,000)	(500,000)
Proceeds from dividends received		200,000	400,000
Proceeds from interest received		61,625	-
Payments for loan made to related party		-	(510,000)
Net cash flows used in investing activities		(238,375)	(610,000)
Cash flows from financing activities:			
Payments of interest on loans from related parties		(61,761)	-
Payments of dividends		(200,000)	-
Proceeds from loans from related parties		500,000	620,000
Net cash flows from financing activities		238,239	620,000
Net movement in cash and cash equivalents		(2,784)	1,716
Cash and cash equivalents at beginning of year		4,107	2,391
Cash and cash equivalents at end of year	15.	1,323	4,107

Middletown Investments Limited

Statement of Cash Flows

For the Year Ended 31 December 2020

Group

		2020	2019
		€	€
Cash from operating activities:			
Profit/(loss) for the year		59,079	(105,491)
Tax income		(5,773)	(23,413)
Share of (profit)/loss from equity accounted investments		(21,618)	66,548
Interest income		(172,708)	(54,401)
Interest on financial assets at fair value through profit and loss		(2,885)	-
Change in fair value of financial assets at fair value through profit and loss		(1,500)	-
Coupon interest expense		100,000	80,000
Amortisation of bond issue costs		5,468	4,149
Loss from operations		(39,937)	(32,608)
Movement in other receivables		(1,256)	(3,057)
Movement in other payables		1,360	(26,539)
Tax paid		(1,250)	-
Net cash flows used in operating activities		(41,083)	(62,204)
Cash flows from investing activities:			
Payments to acquire investment in associates		(500,000)	(500,000)
Payments to acquire financial assets at fair value through profit and loss		(150,000)	-
Proceeds from dividends received		200,000	479,591
Proceeds from interest received		123,333	-
Payments for loans made to related parties		(50,000)	(1,360,000)
Net cash flows used in investing activities		(376,667)	(1,380,409)
Cash flows from financing activities:			
Proceeds from issue of bonds		-	2,000,000
Payment of bond issue costs		-	(67,310)
Payment of bond interest		(100,219)	-
Payments of dividends		(200,000)	-
Repayment of loans from related parties		-	(572,960)
Proceeds from loans from related parties		500,000	342,960
Net cash flows from financing activities		199,781	1,702,690
Net movement in cash and cash equivalents		(217,969)	260,077
Cash and cash equivalents at beginning of year		262,468	2,391
Cash and cash equivalents at end of year	15.	44,499	262,468

1. Basis of preparation

a. Statement of compliance

The consolidated 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 with the requirements of the Companies Act, Cap 386.

b. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets classified as fair value through profit or loss (FVTPL) which are measured at fair value.

c. Foreign currency transactions and balances

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro (€), which is the Group's and Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

d. Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these consolidated financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

2. Change in accounting policies

a. New and revised standards that are effective for annual periods beginning on or after 1 January 2020

In 2020, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies impacting the Group's financial performance and position.

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

b. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted are not expected to have a material impact on the group's financial statements.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are set out below.

a. Basis of consolidation

The Group's financial statements consolidate those of the company and its subsidiary undertaking drawn up to 31 December 2020. Subsidiaries are all entities over which the group has power to control the financial and operating policies. Middletown Investments Limited obtains and exercises control through voting rights. The parent company and its subsidiary undertaking have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3. Significant Accounting Policies (continued)

a. Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owner of the parent and the non-controlling interests based on their respective ownership interests.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Associates are those entities over which the group is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported separately in the income statement and affect the net results of the group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's equity are recognised in the consolidated equity of the group. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Business combinations of entities or businesses not under common control are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out the identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If the acquisition cost is less than the fair value of the group's share of identifiable net assets of the acquired subsidiary at date of acquisition, the gain on acquisition is recognised immediately in profit or loss after reassessment.

3. Significant Accounting Policies (continued)

b. Investments in subsidiary and associates

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Associates are all entities over which the company has significant influence but not control or joint control. This is generally the case where the company holds between 20% and 50% of the voting rights.

In the Company's stand-alone financial statements, the investments in subsidiary and associates are accounted for in accordance with IFRS 9's requirements for equity investments after initial recognition. The Company elects, on an instrument by instrument basis, whether its investments will be measured at fair value, with fair value movements recognised in profit or loss. Management has adopted the FVTPL election for all of its investments in subsidiaries and associates. The fair value of investments in subsidiary and associates is established by using valuation techniques.

The Company gathers objective evidence that an investment is impaired using the same process disclosed in note 3(d). On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

c. 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.

d. Financial instruments

i. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group 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 Group 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.

3. Significant Accounting Policies (continued)

d. Financial instruments

ii. Financial assets

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 Group 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 Group's loan and other receivables, and cash and cash equivalents fall into this category of financial instruments.

3. Significant Accounting Policies (continued)

d. Financial instruments

ii. Financial assets

Financial assets at fair value through profit or loss

The Parent Company subsequently measures all equity investments at fair value through profit or loss in the stand-alone financial statements. In the consolidated financial statements, financial assets at fair value through profit or loss comprise listed bonds. Changes in the fair value of financial assets at FVTPL are recognised in investment 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 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.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

3. Significant Accounting Policies (continued)

d. Financial instruments

iii. Financial liabilities

The Group's financial liabilities include debt securities in issue, other borrowings and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group 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.

e. Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3. Significant Accounting Policies (continued)

f. Trade and other receivables

Trade and other receivables comprise amounts receivable from related parties, accrued income 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 Group's impairment policies are provided in note 3(d).

g. 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 Group's cash and management, are a component of cash and cash equivalents.

h. 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 Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

i. 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.

j. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k. Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity. Dividends to ordinary shareholders are debited directly to equity and are recognised as liabilities in the period in which they are declared.

Retained earnings include all current and prior period results, less dividend distributions.

3. Significant Accounting Policies (continued)

l. Revenue recognition

i. Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

ii. Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis.

m. 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 Group is able to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future. Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

4. Finance income

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Interest on loans to related parties	115,306	54,401	172,708	54,401
Interest on financial assets at fair value through profit and loss	-	-	2,885	-
Change in fair value of financial assets at fair value through profit and loss	-	-	1,500	-
	115,306	54,401	177,093	54,401

5. Finance costs

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Interest on loans from related party	56,525	-	-	-
Coupon interest payable on bonds	-	-	100,000	80,000
Amortisation of bond issue costs	-	-	5,468	4,149
	56,525	-	105,468	84,149

6. Expenses by nature

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Auditor’s remuneration	1,000	750	2,600	2,350
Directors’ remuneration (refer to note 7)	-	-	13,000	12,425
Professional fees	4,008	1,241	12,538	7,732
Prospects admission and trustee fees	-	-	8,184	8,636
Other	3,270	1,393	3,615	1,465
	8,278	3,384	39,937	32,608

6. Expenses by nature (continued)

Auditor's remuneration

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 (excluding VAT) relate to the following:

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit	1,000	750	2,600	2,350

7. Directors' remuneration

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Directors' fees	-	-	13,000	12,425

8. Taxation

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Current tax expense	-	-	-	-
Deferred tax (expense)/income	(124,532)	(26,600)	5,773	23,413
	(124,532)	(26,600)	5,773	23,413

8. Taxation (continued)

The tax (expense)/income and the result of profit/(loss) before tax multiplied by the statutory income tax rate is reconciled as follows:

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Profit/(loss) before tax	606,309	497,806	53,306	(128,904)
Expected tax (expense)/income at 35%	(212,208)	(174,232)	(18,657)	45,116
Tax effect of:				
Expenses disallowed for tax purposes	(246)	(20,225)	(2,160)	(1,816)
Income not subject to tax	70,000	167,857	7,566	-
Tax rate differences on investment income	-	-	577	-
Change in fair value of financial assets classified as FVTPL	-	-	525	-
Bond issue costs	-	-	-	23,559
Unrecognised deferred tax asset in previous years	17,922	-	17,922	(43,446)
	(124,532)	(26,600)	5,773	23,413

9. Investment in subsidiary

	Company	
	2020	2019
	€	€
Opening balance	46,598	46,598
Change in fair value	-	-
At 31 December	46,598	46,598

On 1 October 2018, the company subscribed to 46,598 ordinary shares in Horizon Finance plc at nominal value.

In the stand-alone financial statements, the Company has elected to measure its investment in subsidiary at fair value through profit or loss in terms of IFRS 9, which fair value has been based on the subsidiary’s enterprise value.

Details of the company's investment in subsidiary are as follows:

Name	Nature of business	Class of shares	2020 %	2019 %
Horizon Finance plc - C 88540 Il-Piazzetta A, Suite 52, Level 5 Tower Road, Sliema SLM 1607 Malta	Financing	Ordinary shares	99.996	99.996

10. Other investments

The amounts recognised in the Company's and Group's statements of financial position are as follows:

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Investment in associates	5,148,497	4,292,691	2,399,648	2,078,030
	5,148,497	4,292,691	2,399,648	2,078,030

Set out below are the associates of the Company and Group as at 31 December 2020 and 31 December 2019.

Name	Nature of business	Class of shares	2020 %	2019 %
Shoreline Holdings Limited - C 86187 Suite 407, Level 4 Block SCM 01, Smart City Malta Ricasoli, Kalkara SCM 1001 Malta	Real estate	Ordinary shares	36.09	28.67
Phoenix Capital Limited - C 77880 Il-Piazzetta A, Suite 52, Level 5 Tower Road, Sliema SLM 1607 Malta	Real estate	Ordinary shares	50	50
GAIA Investments Limited - C 86458 Il-Piazzetta A, Suite 52, Level 5 Tower Road, Sliema SLM 1607 Malta	Investment holding	Ordinary shares	50	50

In the stand-alone financial statements, the Company has elected to measure its investment in associates at fair value through profit or loss in terms of IFRS 9, which fair value has been based on the associates' enterprise value.

In the Group's consolidated financial statements, the investments in associates are accounted for using the equity method in accordance with IAS 28.

10. Other investments (continued)

A reconciliation of the movements in the Company's and Group's other investments is provided below:

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Opening balance	4,292,691	3,637,100	2,078,030	2,124,169
Increase in share capital	500,000	579,591	500,000	500,000
Share of profit/(loss)	-	-	21,618	(66,548)
Dividend distribution	-	-	(200,000)	(479,591)
Change in fair value	355,806	76,000	-	-
At 31 December	5,148,497	4,292,691	2,399,648	2,078,030

On 8 May 2018, the company assigned a receivable of € 320,000 to Shoreline Holdings Limited as non-cash consideration for the allotment of 320,000 ordinary C shares. Subsequently, on 30 November 2018 the company acquired an additional 1,750,000 ordinary C shares, 71.43% paid-up, for a cash consideration of € 1,250,000. The unpaid portion on these shares was paid up on 5 March 2019. On 18 March 2019, the company also received 79,591 fully paid-up ordinary C shares of € 1 each by way of bonus issue.

On 9 April 2020, the company acquired a further 2,000,000 ordinary shares in Shoreline Holdings Limited, having a nominal value of € 1 each, 25% paid-up. The consideration was paid in cash. Following this capitalisation, the shareholding interest of Middletown Investments Limited in the investee increased from 28.67% to 36.09%.

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2020	**2019**
	€	**€**
Share of profit/(loss) from equity accounted investments	21,618	(66,548)

11. Financial assets at fair value through profit and loss

	Group	
	2020	**2019**
	€	**€**
Quoted debt instruments	151,500	-

12. Loans receivable

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Loan receivable from associate (note i)	872,000	872,000	872,000	872,000
Loan receivable from group company (note i)	-	-	850,000	850,000
Loan receivable from group company (note ii)	-	-	50,000	-
	872,000	872,000	1,772,000	1,722,000

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

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

As of 31 December 2020 and 2019, the loans receivable were fully performing and therefore no impairment was recognised in these financial statements.

13. Deferred tax assets and liabilities

Deferred taxes are calculated on temporary differences under the liability method and are 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 by the end of the reporting period. The principal tax rate used is 35% (2019: 35%), with the exception of deferred taxation on interest on local bonds listed on the Malta Stock Exchange which is computed on the basis applicable to investment income i.e. tax effect of 15%.

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%.

The balance at 31 December represents temporary differences on:

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Investment income	-	-	(433)	-
Unabsorbed trading losses	-	-	29,619	23,413
Fair value gains on investment in associates	(540,079)	(415,547)	-	-
Deferred tax (liabilities)/assets	(540,079)	(415,547)	29,186	23,413

14. Other receivables

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Amount receivable from subsidiary	-	5,900	-	-
Accrued loan interest income	53,681	-	103,766	54,401
Accrued investment income	-	-	2,885	-
Prepayments	-	-	4,323	3,057
	53,681	5,900	110,974	57,458

As of 31 December 2020 and 2019, all financial assets were fully performing and therefore no impairment was recognised in these financial statements.

15. Cash and cash equivalents

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Bank balances	1,323	4,107	44,449	262,468
Total cash and cash equivalents	1,323	4,107	44,449	262,468

16. Share capital

	Company and Group	
	2020	**2019**
	€	**€**
Authorised		
1,200 Ordinary Shares of € 1 each	1,200	1,200
Issued and fully paid-up		
1,200 Ordinary Shares of € 1 each	1,200	1,200

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.

17. Debt securities in issue

	Group	
	2020	**2019**
	€	**€**
Non-current		
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,942,307	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:

	Group	
	2020	**2019**
	€	**€**
Face value		
€ 2,000,000 5% Secured Callable Bonds 2026 - 2029	2,000,000	2,000,000
Issue costs	(67,310)	(67,310)
Accumulated amortisation	9,617	4,149
	(57,693)	(63,161)
Amortised cost at 31 December	1,942,307	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.

Information about the Group's exposure to liquidity risk arising from debt securities in issue is disclosed in note 20.

18. Other borrowings

	Company		Group	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Loan payable to subsidiary (note i)	850,000	850,000	-	-
Loan payable to associate (note ii)	472,040	427,040	472,040	427,040
Loans payable to shareholders (note ii)	1,610,758	1,155,758	1,610,758	1,155,758
Amount payable to directors (note ii)	350	350	350	350
	2,933,148	2,433,148	2,083,148	1,583,148

18. Other borrowings (continued)

Note i – loan payable to subsidiary is unsecured, bears interest at the rate of 7.25% per annum and repayable by 3 February 2029, with an early repayment option as from 3 February 2026 subject to payment of premium.

Note ii – loans payable to other related parties are unsecured, interest free and repayable after more than 12 months.

Information about the Group’s exposure to liquidity risk arising from other borrowings is disclosed in note 20.

19. Other payables

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Loan interest payable	49,165	54,401	-	-
Accruals	1,730	2,000	85,686	83,875
Amount payable to related party	-	-	-	788
Other payables	320,000	320,000	322,907	322,789
	370,895	376,401	408,593	407,452

Amount payable to related party was unsecured, interest free and repayable on demand.

Information about the Group’s exposure to liquidity risk arising from other payables is disclosed in note 20.

20. Financial risk management

a. Risk management policies and objectives

Middletown Investments Limited is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

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

b. Credit risk

Credit risk is the risk of financial loss to the Group if the counterparty fails to meet its obligation. Credit risk arises from the Group’s investing and operating activities, which are subject to the expected credit loss model.

The Group 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.

20. Financial risk management

b. Credit risk

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 Group 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 any 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 Group takes cognisance of the related party relationship with this debtor and management does not expect any losses from non-performance or default, based on 12-month expected credit losses.

The Group is also exposed to credit risk in relation to marketable securities that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments. The Group's financial assets at fair value through profit or loss comprise local bonds which are traded on the Malta Stock Exchange.

The Group'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 Group had no past due or impaired financial assets.

The Group's and the Company's maximum exposure to credit risk is as follows:

	Company		Group	
	2020	2019	2020	2019
	€	€	€	€
Financial assets at fair value through profit and loss				
Non-current				
Listed bonds	-	-	151,500	-
Financial assets measured at amortised cost				
Non-current				
Loans receivable	872,000	872,000	1,772,000	1,722,000
Current				
Other receivables	53,681	5,900	106,651	54,401
Cash and cash equivalents	1,323	4,107	44,449	262,468
	927,004	882,007	2,074,600	2,038,869

20. Financial risk management

c. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions. Liquidity risk management includes maintaining sufficient cash, liquid investments and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. Management also monitors liquidity risk by reviewing expected cash flows through cash flow forecasts and by matching the maturity of both its financial assets and financial liabilities.

At year-end, the Group's and the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Company					
	Less than 1 year		1 to 5 years		Over 5 years	
	2020	2019	2020	2019	2020	2019
	€	€	€	€	€	€
Other borrowings	-	-	350	350	2,932,798	2,432,798
Other payables	370,895	376,401	-	-	-	-
	370,895	376,401	350	350	2,932,798	2,432,798

	Group					
	Less than 1 year		1 to 5 years		Over 5 years	
	2020	2019	2020	2019	2020	2019
	€	€	€	€	€	€
Debt securities in issue	100,000	100,000	400,000	400,000	2,400,000	2,500,000
Other borrowings	-	-	350	350	2,082,798	1,582,798
Other payables	408,593	407,452	-	-	-	-
	508,593	507,452	400,350	400,350	4,482,798	4,082,798

21. Related parties

a. Ultimate controlling parties

The Company is controlled by Cornhill Capital Limited and Zircon Capital Limited, which collectively own all the company's issued share capital.

b. Transactions with related parties

	Company			
	Transaction value for the year ended		Balance outstanding	
	2020	2019	2020	2019
	€	€	€	€
Transactions with subsidiary:				
(Repayment of amount advanced to)/amount advanced to	(5,900)	5,900	-	5,900
Loan advanced from	-	(850,000)	(850,000)	(850,000)
Interest expense on loan advanced from	(56,525)	(54,401)	(49,165)	(54,401)
Transactions with associates:				
Loan advanced to	-	510,000	872,000	872,000
Interest income on loan advanced to	115,306	-	53,681	-
(Loan advanced from)/repayment of loan advanced from	(45,000)	572,960	(472,040)	(427,040)
Cash dividend received from	200,000	400,000	-	-
Bonus shares received from	-	79,591	-	-
Transactions with shareholders:				
Loan advanced from	(455,000)	(342,960)	(1,610,758)	(1,155,758)
Dividend paid to	(200,000)	-	-	-
Transactions with directors:				
Amount advanced from	-	-	(350)	(350)

22. Fair value measurement

a. Fair value measurement of financial assets

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Company		**Group**	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Level 1				
Financial assets at fair value through profit and loss	-	-	151,500	-
Level 2				
Investment in subsidiary	46,598	46,598	-	-
Investment in associates	5,148,497	4,292,691	-	-
Financial assets at fair value	5,195,095	4,339,289	151,500	-

The fair value of investments in financial assets at FVTPL was obtained by reference to published market prices as at the balance sheet date.

The Group uses third party independent valuation specialists to perform valuations of the investments in subsidiary and associates for financial reporting purposes, including Level 2 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation processes and fair value changes are discussed between the valuation specialists and management at least every year, in line with the company's reporting dates.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions and market conditions existing at the of each reporting period.

b. Financial instruments not carried at fair value

The carrying amounts of loan and other receivables, cash and cash equivalents, debt securities in issue, other borrowings and other payables as shown in the statement of financial position are assumed to approximate their fair values.

23. Capital management policies

The Group's objectives when managing capital are:

- to safeguard the Group'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 Group sets the amount of capital in proportion to risk. The Group 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 Group 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.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

24. Events after the end of the reporting period

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorisation.

25. Statutory information

Middletown Investments Limited is a limited liability company and is incorporated in Malta.

Independent Auditor's Report

To the Shareholders of Middletown Investments Limited on the Audit of the Financial Statements

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- The Group's financial statements and Parent Company's financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial positions as at 31 December 2020, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited:

Middletown Investments Limited's financial statements, set out on pages 4 to 33, comprise:

- The Consolidated and Parent Company's statements of financial position as at 31 December 2020;

- The Consolidated and Parent Company's statements of comprehensive income for the year then ended;

- The Consolidated and Parent Company's statements of changes in equity for the year then ended;

- The Consolidated and Parent Company's statements of cash flows for the year then ended; and

- The notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

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 the Maltese 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 Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Group and the Parent 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 the requirements of the Maltese Companies Act (Cap. 386), 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 Group's and the Parent 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 Group's and the Parent 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent Company's performance and financial position.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent Auditor's Report (continued)

To the Shareholders of Middletown Investments Limited on the Audit of the Financial Statements

Report on the Audit of the Financial Statements

Report on Other Legal and Regulatory Requirements

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.

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

David Sammut
for and on behalf of
CCPS Audit Limited

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Birkirkara BKR 9049
Malta

29 April 2021