Horizon Finance plc

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. HRZ70 issued by the Company on the 30th April 2024 in terms of the rules of Prospects MTF

Quote

Approval of the Annual Report, Audited Financial Statements and Financial Sustainability Forecasts of Guarantor

Reference is made to the Company's obligations in terms of the Prospects MTF Rules, specifically Rules 4.11.03 and 4.11.12 relating to the publication of financial information as defined in Table 1, paragraphs 3 and 5.

The Company is informed that a meeting of the board of directors of Middletown Investments Limited (C75568), the guarantor of the obligations contracted by the Company in terms of the Company Admission Document dated 1st March 2019 (the "**Guarantor**"), was held today the 30th April 2024. The Company is informed that, during the said meeting, the board of directors of the Guarantor approved the Annual Report and Audited Financial Statements for the year ended 31st December 2023, as well as the Financial Sustainability Forecasts for the financial year starting 1st January 2024.

A copy of the said Annual Report, Audited Financial Statements and Financial Sustainability Forecasts are being enclosed herewith and accessible from this link.

Unquote

Alejandro Borg
Company Secretary

30th April 2024

Middletown Investments Limited

Company Registration Number: C 75568

Annual Report and Consolidated Financial Statements

For the Year Ended 31 December 2023

Middletown Investments Limited

For the Year Ended 31 December 2023

CONTENTS

Directors:	Dr Kevin Deguara Dr Jean Carl Farrugia
Company secretary:	Dr Jean Carl Farrugia
Registered office:	Il Piazzetta, A, Suite 52, Level 5 Tower Road Sliema SLM 1607 Malta
Country of incorporation:	Malta
Company registration number:	C 75568
Banker:	Bank of Valletta p.l.c. 121, The Promenade Tower Road Sliema Malta
Legal adviser:	DF Advocates Il Piazzetta, A, Suite 52, Level 5 Tower Road Sliema SLM 1607 Malta
Auditor:	David Sammut Level 4, The Penthouse, Suite 30 Ewropa Business Centre, Triq Dun Karm Birkirkara BKR 9034 Malta

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 2023.

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 €2,120,416 for 2023, compared to €440,990 registered during the 2022 financial year.

During 2023, the Group generated finance income of €133,370 (2022: €133,737), 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 €112,260 and €108,479 for 2023 and 2022, respectively.

The Group's share of profit from its associates is €2,126,656 for 2023 compared to €120,273 in 2022.

In 2023, the Group incurred administrative expense of €27,350 (2022: €24,641).

Financial position of the Group

The Group's total asset base at 31 December 2023 stands at €6,913,448 (2022: €4,431,466). 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 €1,960,561 (2022: €1,954,151) and borrowings from related parties of €2,439,836 (2022: €2,083,148).

At 31 December 2023, the Group's total surplus attributable to owners of the parent and non-controlling interest is €2,411,768 (2022: €294,436). The increase in total equity is mainly attributable to the profit reported for the financial year ended 31 December 2023.

Outlook for 2024

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.

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 21 to the financial statements.

Results and Dividends

The statement of comprehensive income is set out in page 5.

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 30 April 2024 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 2023

		Company		Group	
		2023	2022	2023	2022
	Note	€	€	€	€
Dividend income		180,484	-	-	-
Finance income	4.	62,495	63,008	133,370	133,737
Other income	5.	-	320,000	-	320,000
Gain on fair value of investments		1,186,997	156,728	-	-
Share of profit from equity accounted investments	11.	-	-	2,126,656	120,373
Administrative expenses	7.	(7,519)	(7,746)	(27,350)	(24,641)
Finance costs	6.	(61,625)	(61,760)	(112,260)	(108,479)
Profit before tax		1,360,832	470,230	2,120,416	440,990
Taxation	9.	(63,172)	333,663	(3,084)	(4,111)
Profit for the year - total comprehensive income		1,297,660	803,893	2,117,332	436,879
Attributable to:					
Owners of the parent				2,117,332	436,879
Non-controlling interest				-	-
				2,117,332	436,879

Middletown Investments Limited

Statement of Financial Position

As at 31 December 2023

	Note	Company 2023 €	Company 2022 €	Group 2023 €	Group 2022 €
ASSETS					
Non-current assets					
Investment in subsidiary	10.	46,598	46,598	-	-
Investment in associates	11.	6,293,569	5,106,572	-	-
Investments accounted for using the equity method	11.	-	-	4,318,152	2,308,808
Financial assets at fair value through profit and loss	12.	-	-	141,000	146,850
Other investments		74,000	-	74,000	-
Loans receivable	13.	1,262,000	862,000	2,162,000	1,712,000
Deferred tax assets	14.	-	-	22,517	24,588
Total non-current assets		7,676,167	6,015,170	6,717,669	4,192,246
Current assets					
Loans receivable	13.	-	-	-	50,000
Other receivables	15.	50,509	50,509	110,680	105,393
Current tax receivable		-	-	1,250	1,250
Cash and cash equivalents	16.	5,562	8,961	83,849	82,577
Total current assets		56,071	59,470	195,779	239,220
TOTAL ASSETS		7,732,238	6,074,640	6,913,448	4,431,466

Middletown Investments Limited

Statement of Financial Position

As at 31 December 2023

	Note	**Company 2022 €**	**2022 €**	**Group 2023 €**	**2022 €**
EQUITY AND LIABILITIES					
Equity					
Share capital	17.	1,200	1,200	1,200	1,200
Retained earnings		4,242,102	2,944,442	2,410,566	293,234
Total attributable to owners		4,243,302	2,945,642	2,411,766	294,434
Non-controlling interest		-	-	2	2
Total equity		4,243,302	2,945,642	2,411,768	294,436
Liabilities					
Non-current liabilities					
Deferred tax liabilities	14.	136,887	136,887	-	-
Debt securities in issue	18.	-	-	1,960,561	1,954,151
Other borrowings	19.	3,289,836	2,933,148	2,439,836	2,083,148
Total non-current liabilities		3,426,723	3,070,035	4,400,397	4,037,299
Current liabilities					
Other payables	20.	62,213	58,963	101,283	99,731
Total current liabilities		62,213	58,963	101,283	99,731
Total liabilities		3,488,936	3,128,998	4,501,680	4,137,030
TOTAL EQUITY AND LIABILITIES		7,732,238	6,074,640	6,913,448	4,431,466

The notes on pages 12 to 35 form an integral part of these financial statements.

These financial statements on pages 5 to 35 were approved by the directors on 30 April 2024 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 2023

Company

	Share capital	Retained earnings	Total equity
	€	€	€
At 1 January 2023	1,200	2,944,442	2,945,642
Profit for the year	-	1,297,660	1,297,660
Balance at 31 December 2023	1,200	4,242,102	4,243,302
At 1 January 2022	1,200	2,140,549	2,141,749
Profit for the year	-	803,893	803,893
Balance at 31 December 2022	1,200	2,944,442	2,945,642

Middletown Investments Limited

Statements of Changes in Equity

For the Year Ended 31 December 2023

Group

	Share capital	Retained earnings	Total attributable to owners	Non-controlling interest	Total equity
	€	€	€	€	€
At 1 January 2023	1,200	293,234	294,434	2	294,436
Profit for the year	-	2,117,332	2,117,332	-	2,117,332
Balance at 31 December 2023	1,200	2,410,566	2,411,766	2	2,411,768
At 1 January 2022	1,200	(143,645)	(142,445)	2	(142,443)
Profit for the year	-	436,879	436,879	-	436,879
Balance at 31 December 2022	1,200	293,234	294,434	2	294,436

Middletown Investments Limited

Statement of Cash Flows

For the Year Ended 31 December 2023

Company

	Note	2023 €	2022 €
Cash flows from operating activities:			
Profit for the year		1,297,660	803,893
Tax expense/(income)		63,172	(333,663)
Dividend income		(180,484)	
Interest income		(62,495)	(63,008)
Interest expense		61,625	61,760
Extinguishment of debt upon liquidation of associate		-	(320,000)
(Gain)/loss on fair value of investments		(1,186,997)	(156,728)
Loss from operations		(7,519)	(7,746)
Movement in other payables		3,250	7,033
Payment of income taxes		(63,172)	-
Net cash flows used in operating activities		(67,441)	(713)
Cash flows from investing activities:			
Payment to acquire other investment		(74,000)	-
Proceeds from dividends received		180,484	-
Proceeds from interest received		62,495	67,481
Loan advanced to associate		(400,000)	-
Net cash flows (used in)/from investing activities		(231,021)	67,481
Cash flows from financing activities:			
Payment of interest on loans from related parties		(61,625)	(61,625)
Repayment of loans advanced from shareholders		(293,312)	-
Loans advanced from associates		650,000	-
Net cash flows from/(used in) financing activities		295,063	(61,625)
Net movement in cash and cash equivalents		(3,399)	5,143
Cash and cash equivalents at beginning of year		8,961	3,818
Cash and cash equivalents at end of year	16.	5,562	8,961

Middletown Investments Limited

Statement of Cash Flows

For the Year Ended 31 December 2023

Group

	Note	2023 €	2022 €
Cash flows from operating activities:			
Profit for the year		2,117,332	436,879
Tax expense		3,084	4,111
Share of profit from equity accounted investments		(2,126,656)	(120,373)
Interest income		(126,620)	(126,998)
Interest on financial assets at fair value through profit and loss		(6,750)	(6,739)
Change in fair value of financial assets at fair value through profit and loss		5,850	2,400
Coupon interest expense		100,000	100,000
Amortisation of bond issue costs		6,410	6,079
Extinguishment of debt upon liquidation of associate		-	(320,000)
Loss from operations		(27,350)	(24,641)
Movement in other receivables		(287)	(70)
Movement in other payables		1,552	8,146
Tax paid		(64,185)	(1,013)
Net cash flows used in operating activities		(90,270)	(17,578)
Cash flows from investing activities:			
Payment to acquire other investment		(74,000)	-
Proceeds from dividends received		180,484	-
Proceeds from interest received		121,620	131,471
Proceeds from investment income received		6,750	6,749
Loan advanced to associate		(400,000)	-
Net cash flows (used in)/from investing activities		(165,146)	138,220
Cash flows from financing activities:			
Payment of bond interest		(100,000)	(100,000)
Repayment of loans advanced from shareholders		(293,312)	-
Loans advanced from associates		650,000	-
Net cash flows from/(used) in financing activities		256,688	(100,000)
Net movement in cash and cash equivalents		1,272	20,642
Cash and cash equivalents at beginning of year		82,577	61,935
Cash and cash equivalents at end of year	16.	83,849	82,577

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 2023

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that begin on or after 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<u>Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements - Disclosure of Accounting Policies*</u>

The group has adopted the amendments to IAS 1 and IFRS Practice Statement 2 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the group but affect the disclosure of accounting policies of the group.

2. Change in accounting policies

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.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The group is currently assessing the impact of these new accounting standards and amendments. Management does not expect any standards issued by the IASB, but are yet to be effective, to have a material impact on the group.

3. Material 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 2023. 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	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Interest on loans to related parties	62,495	63,008	126,620	126,998
Interest on financial assets at fair value through profit and loss	-	-	6,750	6,739
	62,495	63,008	133,370	133,737

5. Other income

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Extinguishment of debt upon liquidation of associate	-	320,000	-	320,000

6. Finance costs

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Interest on loans from related party	61,625	61,760	-	-
Coupon interest payable on bonds	-	-	100,000	100,000
Amortisation of bond issue costs	-	-	6,410	6,079
Loss on fair value of financial assets at fair value through profit and loss	-	-	5,850	2,400
	61,625	61,760	112,260	108,479

7. Expenses by nature

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Auditor's remuneration	1,000	1,000	2,800	2,800
Directors' remuneration (refer to note 8)	-	-	6,000	6,000
Professional fees	6,203	6,531	8,297	8,106
Prospects admission and trustee fees	-	-	8,142	6,122
Other	316	215	2,111	1,613
	7,519	7,746	27,350	24,641

7. Expenses by nature (continued)

Auditor's remuneration

Fees charged by the auditor for services rendered during the financial years ended 31 December 2023 and 2022 (excluding VAT) relate to the following:

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Annual statutory audit	1,000	1,000	2,800	2,800

8. Directors' remuneration

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Directors' fees	-	-	6,000	6,000

9. Taxation

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Current tax expense	(63,172)	-	(1,013)	(1,013)
Deferred tax income/(expense)	-	333,663	(2,071)	(3,098)
	(63,172)	333,663	(3,084)	(4,111)

9. Taxation (continued)

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

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Profit/(loss) before tax	1,360,832	470,230	2,120,416	440,990
Expected tax (expense)/income at 35%	(476,291)	(164,581)	(742,146)	(154,346)
Tax effect of:				
Expenses disallowed for tax purposes	(2,330)	(2,274)	(4,570)	(4,403)
Income not subject to tax	-	112,000	744,330	154,130
Tax rate differences on investment income	-	-	1,350	1,348
Change in fair value of financial assets classified as FVTPL	-	-	(2,048)	(840)
Tax base of investments	415,449	388,518	-	-
Unrecognised deferred tax asset	-	-	-	-
	(63,172)	333,663	(3,084)	(4,111)

10. Investment in subsidiary

	Company	
	2023	**2022**
	€	**€**
Opening balance	46,598	46,598
Change in fair value	-	-
At 31 December	46,598	46,598

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**	**2023 %**	**2022 %**
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

11. Others investments

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

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Investment in associates	6,293,569	5,106,572	4,318,152	2,308,808
	6,293,569	5,106,572	4,318,152	2,308,808

Set out below are the associates of the Company and Group as at 31 December 2023 and 2022:

Name	**Nature of business**	**Class of shares**	**2023 %**	**2022 %**
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	36.09
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.

11. Other investments (continued)

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

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Opening balance	5,106,572	4,949,844	2,308,808	2,188,435
Share of profit	-	-	2,126,656	120,373
Dividend distribution	-	-	(117,312)	-
Change in fair value	1,186,997	156,728	-	-
At 31 December	6,293,569	5,106,572	4,318,152	2,308,808

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	
	2023	**2022**
	€	**€**
Share of profit from equity accounted investments	2,126,656	120,373

12. Financial assets at fair value through profit and loss

	Group	
	2023	**2022**
	€	**€**
Quoted debt instruments	141,000	146,850

The investment in quoted debt instruments is carried at its market value by reference to prices quoted on the Malta Stock Exchange.

13. Loans receivable

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Non-current assets				
Loan receivable from associate (note i)	862,000	862,000	862,000	862,000
Loan receivable from associate (note ii)	400,000	-	400,000	-
Loan receivable from group company (note i)	-	-	850,000	850,000
Loan receivable from group company (note iii)	-	-	50,000	-
	1,262,000	862,000	2,162,000	1,712,000
Current assets				
Loan receivable from group company (note iii)	-	-	-	50,000

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, interest free and has no fixed date of repayment.

Note iii – 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 2021 by giving one-month notice. On 20 August 2023, the company agreed to extend the maturity date of loan for an additional two (2) years, which is not later than 25 August 2025.

As of 31 December 2023 and 2022, the loans receivable were fully performing and therefore no impairment was recognised in these financial statements.

14. 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% (2022: 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	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Investment income	-	-	(422)	(422)
Unabsorbed trading losses	-	-	22,939	25,010
Fair value gains on investment in associates	(136,887)	(136,887)	-	-
Deferred tax (liabilities)/assets	(136,887)	(136,887)	22,517	24,588

15. Other receivables

	Company		Group	
	2023	2022	2023	2022
	€	€	€	€
Accrued loan interest income	50,509	50,509	105,686	100,686
Accrued investment income	-	-	2,812	2,812
Prepayments	-	-	2,182	1,895
	50,509	50,509	110,680	105,393

As of 31 December 2023 and 2022, all financial assets were fully performing and therefore no impairment was recognised in these financial statements.

16. Cash and cash equivalents

	Company		Group	
	2023	2022	2023	2022
	€	€	€	€
Bank balances	5,562	8,961	83,849	82,577
Total cash and cash equivalents	5,562	8,961	83,849	82,577

17. Share capital

	Company and Group	
	2023	2022
	€	€
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.

18. Debt securities in issue

	Group	
	2023	**2022**
	€	**€**
Non-current		
2,000,000 5% Secured Callable Bonds 2026 - 2029	1,960,561	1,954,151

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	
	2023	**2022**
	€	**€**
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	27,871	21,461
	(39,439)	(45,849)
Amortised cost at 31 December	1,960,561	1,954,151

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 21.

19. Other borrowings

	Company		Group	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Loan payable to subsidiary (note i)	850,000	850,000	-	-
Loan payable to associate (note ii)	1,112,162	462,162	1,112,162	462,162
Loans payable to shareholders (note ii)	1,327,324	1,620,636	1,327,324	1,620,636
Amount payable to directors (note ii)	350	350	350	350
	3,289,836	2,933,148	2,439,836	2,083,148

19. 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 21.

20. Other payables

	Company		**Group**	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Loan interest payable	49,300	49,300	-	-
Accruals	12,913	9,663	98,594	94,678
Other payables	-	-	2,689	5,053
	62,213	58,963	101,283	99,731

Information about the Group's exposure to liquidity risk arising from other payables is disclosed in note 21.

21. 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.

21. 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**	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
<u>Financial assets at fair value through profit and loss</u>				
Non-current				
Listed bonds	-	-	141,000	146,850
<u>Financial assets measured at amortised cost</u>				
Non-current				
Other investment	74,000	-	74,000	-
Loans receivable	1,262,000	862,000	2,162,000	1,712,000
Current				
Loans receivable	-	-	-	50,000
Other receivables	50,509	50,509	108,498	103,498
Cash and cash equivalents	5,562	8,961	83,849	82,577
	1,392,071	921,470	2,569,347	2,094,925

21. 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**	
	2023	**2022**	**2022**	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**	**€**	**€**
Other borrowings	-	-	350	350	3,289,486	2,932,798
Other payables	62,213	58,963	-	-	-	-
	62,213	58,963	350	350	3,289,486	2,932,798

	Group					
	Less than 1 year		**1 to 5 years**		**Over 5 years**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**	**€**	**€**
Debt securities in issue	100,000	100,000	400,000	400,000	2,100,000	2,200,000
Other borrowings	-	-	350	350	2,439,486	2,082,798
Other payables	98,594	94,678	-	-	-	-
	198,594	194,678	400,350	400,350	4,539,486	4,282,798

22. 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	
	2023	2022	2023	2022
	€	€	€	€
Transactions with subsidiary:				
Loan advanced from	-	-	(850,000)	(850,000)
Interest expense on loan advanced from	(61,625)	(61,760)	(49,300)	(49,300)
Transactions with associates:				
Loans advanced to	400,000	-	1,262,000	862,000
Interest income on loan advanced to	62,495	63,008	50,509	50,509
(Loans advanced from)/repayment of loans advanced from	(650,000)	16,878	(1,112,162)	(462,162)
Transactions with shareholders:				
Repayment of loan advanced from/(loan advanced from)	293,312	(16,878)	(1,327,324)	(1,620,636)
Transactions with directors:				
Amount advanced from	-	-	(350)	(350)

23. 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	
	2023	**2022**	**2023**	**2022**
	€	**€**	**€**	**€**
Level 1				
Financial assets at fair value through profit and loss	-	-	141,000	146,850
Level 2				
Investment in subsidiary	46,598	46,598	-	-
Investment in associates	6,293,569	5,106,572	-	-
Financial assets at fair value	6,340,167	5,153,170	141,000	146,850

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.

24. 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.

25. 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.

26. 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

Report on the Audit of the Financial Statements

Opinion

In my 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 2023, 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 (‘IFRS’s) 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 I have audited:

Middletown Investments Limited’s financial statements, set out on pages 5 to 35, comprise:

- The Consolidated and Parent Company’s statements of financial position as at 31 December 2023;

- 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

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

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

Independence

I am 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 my 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 I have fulfilled my 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 and the Directors, Officers and Other Information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, I also considered whether the directors' report includes the disclosures required by the Maltese Companies Act (Cap. 386).

Based on the work I have performed, in my 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, I am required to report if I have identified material misstatements in the directors' report and other information. I 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

My 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue operating as a going concern.

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

- 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386), I am required to report to you if, in my opinion:

- I have not received all the information and explanations I require for my audit.
- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches not visited by me.
- The financial statements are not in agreement with the accounting records and returns.

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

Other Matter

My report, including the opinion, has been prepared for and only for the company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come saved where expressly agreed by my prior written consent.

David Sammut
Certified Public Accountant

Level 4, The Penthouse, Suite 30
Ewropa Business Centre, Triq Dun Karm
Birkirkara BKR 9034
Malta

30 April 2024

Summary of Significant Assumptions and Accounting Policies

A. Introduction

The forecast statement of financial position, the forecast statement of profit or loss, and the forecast statement of cash flows ("the Forecasts") of the Issuer for the period ending 31st December 2024 has been prepared to provide financial information for the purposes of the announcement of Financial Sustainability Forecasts. The assumptions set out below are the sole responsibility of the Directors of the Company.

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events which the Directors expect to take place, and on actions which the Directors expect to take. Events and circumstances frequently do not occur as expected, and therefore, actual results may differ materially from those included in the forecast and projected financial information. We draw your attention in particular, to the risk factors set out in the Admission Document, which describe the primary risks associated with the business to which the Forecast Financial Information relates.

The Forecasts are not intended to and do not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

These Forecasts were formally approved on 30th April 2024 by the Directors, and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are described in Section C below.

B. Significant accounting policies

The Forecast Financial Information shows the projected financial performance and position of Middletown Investments Limited (the "Company") in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") except that, due to the nature of Forecast Financial Information, the Forecast Financial Information does not include all the disclosure requirements under EU-IFRS and other laws or securities regulations, including but not limited to the Maltese Companies Act (Cap. 386).

C. Basis of preparation and significant assumptions

The principal assumptions relating to the environment in which the Company operates, and the factors which are exclusively outside the influence of the Directors, and which underlie the forecast financial statements, are the following:

• The rate of inflation will be in line with historic trends;
• The basis and rates of taxation, direct and indirect, will not change materially throughout the year covered by the Forecast Financial Information

D. Other significant assumptions

1. Revenue

Annual revenue has been projected using 2023 trends. Profits after tax generated by one of the associates is expected to increase by 12%.

2. Administrative expenses

Administration expenses include professional fees and other general or corporate overheads. These costs are based on historical trends and agreements.

3. Finance costs

Finance costs comprise of interest on the outstanding bond issue and the amortisation of the issue costs.

4. Taxation

Tax is calculated at 35% of adjusted taxable profit before tax, also taking into account an estimate of the deferred tax movement for the year.

5. Loans and receivables

Loans and receivables comprise loan receivable from related party.

6. Working capital

The Company's working capital mainly comprises the net impact of trade receivables, inventory and trade payables and is based on historical trends.

7. Borrowings

Non-current liabilities are debt securities in issue and borrowings are from related parties.

Statement of Comprehensive Income

	Forecasted	Audited
	FY24	**FY23**
	€	€
Dividend Income	-	-
Finance Income	132,500	133,370
Other Income		
Gain on fair value of investment in associates	0	0
Share of profit/(loss) from equity accounted investments	2,381,855	2,126,656
Administrative expenses	-31,453	-27,350
Finance costs	-108,479	-112,260
Profit/(loss) before tax	2,374,423	2,120,416
Taxation	-3,187	-3,084
Profit/(loss) for the year - total comprehensive income/(loss)	2,371,236	2,117,332
Attributable to:		
Owners of the parent	2,371,236	2,117,332
Non-controlling interest	0	0
	2,371,236	2,117,332

Statement of Financial Position

	Forecasted **FY24** €	Audited **FY23** €
ASSETS		
Non-current assets		
Investment in subsidiary	-	-
Investment in associates	-	-
Investments accounted for using the equity method	6,321,873	4,318,152
Financial assets at fair value through profit and loss	146,850	141,000
Other investments	74,000	74,000
Loan receivable	2,162,000	2,162,000
Deferred tax assets	21,382	22,517
Total non-current assets	8,726,105	6,717,669
Current assets		
Loan receivables	-	-
Other receivables	110,680	110,680
Current tax receivable	1,250	1,250
Cash and cash equivalents	85,577	83,849
Total current assets	197,507	195,779
TOTAL ASSETS	8,923,612	6,913,448
EQUITY AND LIABILITIES		
Equity		
Share Capital	1,200	1,200
Retained earnings	4,781,802	2,410,566
Total attributable to owners	4,783,002	2,411,766
Non-controlling interest	2	2
Total equity	4,783,004	2,411,768
Liabilities		
Non-current liabilities		
Deferred tax liabilities	-	-
Debt securities in issue	1,954,151	1,960,561
Other borrowings	2,083,148	2,439,836
Total non-current liabilities	4,037,299	4,400,397
Current liabilities		
Other payables	103,309	101,283
Total current liabilities	103,309	101,283
Total liabilities	4,140,608	4,501,680
TOTAL EQUITY AND LIABILITIES	8,923,612	6,913,448

Statement of Cash Flows

	Forecasted FY24 €	Audited FY23 €
Cash from operating activities:		
Profit/(loss) for the year	1,928,707	1,297,660
Tax income	64,663	63,172
Dividend income		(180,484)
Share of profit/(loss) from equity accounted investments	-	-
Interest income	(62,495)	(62,495)
Interest on financial assets at fair value through profit and loss	-	-
Change in fair value of financial assets at fair value through profit and loss	(2,000,000)	(1,186,997)
Interest expense	61,625	61,625
Amortisation of bond issue costs	-	-
Extinguishment of debt upon liquidation of associate		-
Loss from operations	(7,500)	(7,519)
Movement in other receivables		
Movement in other payables	3,500	3,250
Tax paid	(64,663)	(63,172)
Net cash flows used in operating activities	(68,663)	(67,441)
Cash flows from investing activities:		
Payments to acquire other investment	-	(74,000)
Payments to acquire investment in associates	-	-
Payments to acquire financial assets at fair value through profit and loss	-	-
Proceeds from dividends received	-	180,484
Proceeds from interest received	62,495	62,495
Loan advanced to associate		(400,000)
Payments for loans made to related parties		
Proceeds from repayment of loans made to related parties	-	-
Net cash flows used in investing activities	62,495	(231,021)
Cash flows from financing activities:		
Payment of interest on loans from related parties	(61,625)	(61,625)
Repayment of loans advanced from shareholders		(293,312)
Loans advanced from associates	100,000	650,000
Proceeds from issue of bonds	-	-
Payment of bond issue costs	-	-
Payment of bond interest	-	-
Payment of dividends	-	-
Repayment of loans from related parties	-	-
Proceeds from loans from related parties	-	-
Net cash flows from financing activities	38,375	295,063
Net movement in cash and cash equivalents	32,207	(3,399)
Cash and cash equivalents at beginning of year	5,562	8,961
Cash and cash equivalents at end of year	37,769	5,562

E. Conclusion

The Directors believe that the assumptions on which the Forecast Financial Information is based are reasonable. The Directors further believe that, in the absence of unforeseen circumstances outside their control, the working capital available to the Company will be sufficient for the carrying on of its business.

Approved by the Board of Directors on 30th April 2024 .