

**HH FINANCE PLC**

**Reg. No.: C 84461**

**Unaudited Half-Yearly Financial Report**

**For the period ended 30<sup>th</sup> June 2020**

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**Interim directors' report pursuant of Prospectus Rule 4.11.12**

**For the period ended 30<sup>th</sup> June 2020**

This Half-Yearly report is being published in terms of Chapter 4 of the Prospectus Rules of the Malta Stock Exchange. The Half-Yearly report comprises the reviewed unaudited condensed interim financial statements for the period ended 30<sup>th</sup> June 2020 prepared in accordance with IAS 34, 'Interim Financial Reporting'.

**Principal activity**

The Company's principal activity is to own, manage, administer and dispose of property of any kind.

**Review of business development and financial position**

During the period under review, profit before taxation amounted to €436,929 while accrued bond interest payable amounted to €126,588 based on the unaudited Half-Yearly financial report for the period ended 30<sup>th</sup> June 2020.

**Dividend**

No interim dividends are being proposed.

Approved by the Board of Directors on 19<sup>th</sup> August 2020 and signed by:



Mr. Luke Chetcuti  
**Director**



Mr. Kari Pisani  
**Director**


**Directors' statement on condensed financial statements**

We hereby confirm that, to the best of our knowledge, the condensed set of financial statements for the period ended 30<sup>th</sup> June 2020, which have been prepared in accordance with IAS 34, '*Interim Financial Reporting*', gives a true and fair view of the financial position and the financial performance and cash flows of HH FINANCE PLC and that the interim directors' report includes a fair review of the information.

**Signed by:**



Mr. Luke Chetcuti  
**Director**



Mr. Kari Pisani  
**Director**

**Registered address:**  
2, St Georges Court A,  
St. Augustine Street,  
St Julians

**Condensed statement of comprehensive income**

**For the period ended 30<sup>th</sup> June 2020**

	Note	30 <sup>th</sup> June 2020 (unaudited) €	30 <sup>th</sup> June 2019 (unaudited) €
<b>Turnover</b>	3	<b>1,035,453</b>	876,000
Administrative expenses		<b>(54,708)</b>	(33,476)
<b>Profit before interest and taxation</b>		<b>980,745</b>	842,524
Finance costs		<b>(611,741)</b>	(459,685)
Finance income		<b>67,925</b>	1,601
<b>Profit before taxation</b>		<b>436,929</b>	384,440
Tax charge for the period		<b>(126,796)</b>	(84,390)
<b>Profit after taxation</b>		<b>310,133</b>	300,050

Condensed statement of financial position as at 30<sup>th</sup> June 2020

	Notes	30 <sup>th</sup> June 2020 (unaudited) €	31 <sup>st</sup> December 2019 (audited) €
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	4	45,000,000	45,000,000
Loans receivable	6	3,161,519	2,325,035
		-----	-----
<b>Total non-current assets</b>		<b>48,161,519</b>	<b>47,325,035</b>
		-----	-----
<b>Current assets</b>			
Other receivables	5	1,008,225	20,392
Cash and cash equivalents	10	205,816	431,289
		-----	-----
<b>Total current assets</b>		<b>1,214,040</b>	<b>451,681</b>
		-----	-----
<b>Total assets</b>		<b>49,375,559</b>	<b>47,776,716</b>
		=====	=====
<b>Equity</b>			
Share capital	7	150,000	150,000
Retained earnings		14,852,879	13,640,891
		-----	-----
<b>Total equity</b>		<b>15,002,879</b>	<b>13,790,891</b>
		-----	-----
<b>Liabilities</b>			
<b>Provisions for liabilities and charges</b>			
Deferred tax		3,600,000	3,600,000
		-----	-----
<b>Non-current Liabilities</b>			
Borrowings	8	29,403,281	29,257,628
		-----	-----
<b>Total non-current liabilities</b>		<b>29,403,281</b>	<b>29,257,628</b>
		-----	-----
<b>Current Liabilities</b>			
Trade and other payables	9	1,049,290	924,453
Tax payable		320,109	203,744
		-----	-----
<b>Total current liabilities</b>		<b>1,369,399</b>	<b>1,128,197</b>
		-----	-----
<b>Total liabilities</b>		<b>34,372,680</b>	<b>33,985,825</b>
		-----	-----
<b>Total equity and liabilities</b>		<b>49,375,559</b>	<b>47,776,716</b>
		=====	=====

The financial statements on pages 4 to 12 were approved by the directors on 19<sup>th</sup> August 2020 and signed by:



Mr. Luke Chetcuti  
Director



Mr. Kari Pisani  
Director

# HH FINANCE PLC

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## Condensed statement of changes in equity

For the period ended 30<sup>th</sup> June 2020

	Called up issued share capital €	Retained earnings €	Total €
Balance as at 1 January 2020	150,000	13,640,891	13,790,891
Profit for the period	-	310,133	310,133
Prior year adjustments	-	901,855	901,855
Balance as at 30 June 2020	<u>150,000</u>	<u>14,852,879</u>	<u>15,002,879</u>
Balance as at 1 January 2019	150,000	3,958,588	4,108,588
Profit for the year	-	9,682,303	9,682,303
Balance as at 31 December 2019	<u>150,000</u>	<u>13,640,891</u>	<u>13,790,891</u>

**Condensed statement of cash flows**

**For the period ended 30<sup>th</sup> June 2020**

	<b>30<sup>th</sup> June 2020 (unaudited) Note</b>	<b>31<sup>st</sup> December 2019 (audited)</b>
	<b>€</b>	<b>€</b>
<b>Cash flow from operating activities</b>		
Operating profit for the year	<b>436,929</b>	13,486,047
Add back:		
Interest expense	<b>611,741</b>	1,210,237
Interest income	<b>(67,925)</b>	(52,942)
Unrealised fair value loss on investment property	-	(12,960,959)
	-----	-----
<b>Profit from operations</b>	<b>980,745</b>	1,682,383
Movements in working capital:		
Trade and other receivables	<b>(194,503)</b>	643,743
Trade and other payables	<b>222,931</b>	(11,702)
	-----	-----
<b>Net cash flows before interest and tax</b>	<b>1,009,173</b>	2,314,424
<b>Cash flow from financing activities</b>		
Repayments from fellow subsidiaries	-	224,664
Advances to fellow subsidiaries	<b>(768,559)</b>	(2,496,757)
Payments of interest classified as financing	<b>(611,741)</b>	(135,270)
Proceeds from loan from parent company	<b>145,653</b>	(5,230)
	-----	-----
<b>Net cash outflow used in financing activities</b>	<b>(1,234,646)</b>	(2,412,593)
	-----	-----
<b>Movement in cash and cash equivalents</b>	<b>(225,473)</b>	(98,169)
Cash and cash equivalents at the beginning of the year	<b>431,289</b>	529,458
	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	<b>10 205,816</b>	431,289
	=====	=====

**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2020****1 Basis of preparation****1.1 Basis of measurement and statement of compliance**

The interim condensed financial statements of HH FINANCE PLC have been prepared in accordance with International Accounting Standard 34, *'Interim Financial Reporting'* and in terms of Rule 4.11.12 of Prospectus which is operated and regulated by the Malta Stock Exchange.

The financial information has been extracted from the Company's unaudited interim financial statements for period ended 30<sup>th</sup> June 2020.

**1.2 Functional and presentation currency**

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

**2 Significant accounting policies****2.1 Investment property**

Investment properties are freehold land and/or buildings held for long-term rental and capital appreciation that are not occupied by the Company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly in profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected. Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

**2.2 Financial instruments**

Financial assets are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The Company's financial assets are mainly financial assets at amortised cost.

Financial liabilities are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The Company's financial liabilities are mainly financial liabilities at amortised cost.



**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2020****2 Significant accounting policies (Cont'd)****2.3 Ordinary shares**

Ordinary shares issued by the Company are classified as equity.

**2.4 Cash and cash equivalents**

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

**2.5 Income taxes**

The tax charge/(credit) in the profit or loss for the year normally comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3 Turnover**

Turnover represents lease income from a fellow subsidiary on the lease of the hotel. Lease income is recognised on a straight-line basis over the term of the lease.

**Notes to the condensed financial statements**

**For the period ended 30<sup>th</sup> June 2020**

**4 Investment property**

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
<b>At fair value</b>		
Opening balance	45,000,000	32,039,041
Fair value increase	-	12,960,959
	-----	-----
	<b>45,000,000</b>	<b>45,000,000</b>
	=====	=====

**5 Other receivables**

Other receivables consist of:

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
Accrued income	952,783	-
Amount owed by related parties	55,442	20,392
	-----	-----
	<b>1,008,225</b>	<b>20,392</b>
	=====	=====

**6 Loans receivable**

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
Loans receivable	3,161,519	2,325,035
	-----	-----
	<b>3,161,519</b>	<b>2,325,035</b>
	=====	=====

**Notes to the condensed financial statements**

**For the period ended 30<sup>th</sup> June 2020**

**7 Share capital**

	<b>As at 30 June 2020 €</b>
<b>Authorised</b>	
149,999 ordinary 'A' shares of €1 each	149,999
1 ordinary 'B' share of €1 each	1
	-----
	<b>150,000</b>
	=====
<b>Issued and 100% paid up</b>	
149,999 ordinary 'A' shares of €1 each	149,999
1 ordinary 'B' share of €1 each	1
	-----
	<b>150,000</b>
	=====

**8 Borrowings**

Borrowings consists of:

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
Amount owed to parent company	24,403,281	24,257,628
5,000,000 5% bond, 2023-2028	5,000,000	5,000,000
	-----	-----
	<b>29,403,281</b>	<b>29,257,628</b>
	=====	=====

**9 Trade and other payables**

Trade and other payables consist of:

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
Interest payable	882,217	777,212
VAT payable	126,202	129,936
Trade payables	6,750	4,179
Accruals	12,917	7,250
Directors' fees payable	6,752	3,827
Other taxes	1,039	2,049
Other payables	13,414	-
	-----	-----
	<b>1,049,290</b>	<b>924,453</b>
	=====	=====

**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2020****10 Cash and cash equivalents**

	<b>As at 30 June 2020 (unaudited) €</b>	As at 31 December 2019 (audited) €
Cash at bank	<b>205,816</b>	431,289
	-----	-----
	<b>205,816</b>	431,289
	=====	=====

**11 Financial risk management**

Financial assets include cash held at bank and in hand. Financial liabilities include creditors and other borrowings.

**Risk management policies**

- a) Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances, and the presentation of receivables net of allowances for doubtful debts, where applicable. The loans receivable and other receivables are mainly receivables from a fellow subsidiary. Cash is placed with reputable banks. The resulting expected credit loss has been assessed to be not material to this financial report.
- b) Liquidity risk is limited as the company has the ability to raise finance to meet its financial obligations as they arise. Moreover, financing from the parent company is readily available in order to support the Company in meeting its obligations when they fall due.

**12 Related parties**

The Company had related party transactions with related companies which are related by virtue of being under common control, by having common significant shareholders. Balances with related companies are shown in notes 5, 6 and 8.