

Date of Announcement: 26 July 2022

Reference: 7/2022



The following is a company announcement issued by HH Finance plc (the “Company”), bearing company registration number C-84461, pursuant to the Prospects MTF Rules.

APPROVAL OF INTERIM UNAUDITED FINANCIAL STATEMENTS

QUOTE

The Company hereby announces that during its meeting held earlier today, the Board of Directors approved the Company’s interim unaudited financial statements for the six-month period ended 30 June 2022. The interim financial statements are attached to this announcement and are also available for viewing and downloading in the Investors section on the Company’s website: <http://www.hhfinance.com.mt/investor-relations/>.

The Company confirms that in line with the Financial Sustainability Forecasts (the “FSFs”) published on 27 April 2022 (MSE Ref: HHF 54), it remains on track to meet its financial expectations insofar as topline revenue, total operating expenses, profitability and the balance sheet are concerned.

UNQUOTE

By order of the Board.

A handwritten signature in blue ink, appearing to read "Emma Grech".

Dr Emma Grech
Company Secretary

26 July 2022

HH FINANCE PLC

Reg. No.: C 84461

Unaudited Half-Yearly Financial Report

For the period ended 30th June 2022

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Interim directors' report pursuant of Prospectus Rule 4.11.12**For the period ended 30th June 2022**

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 30th June 2022 prepared in accordance with IAS 34, 'Interim Financial Reporting'.

Principal activity

The principal activity of the Company, which is unchanged during the course of the reporting period, is the leasing of its investment property to a fellow subsidiary.

Review of business development and financial position


During the period under review, profit before taxation amounted to €499,404 while accrued bond interest payable amounted to €124,658 based on the unaudited Half-Yearly financial report for the period ended 30th June 2022.

The Company continues to perform in line with expectations based on its assumptions for the year 2022. Whilst the restrictions applied to manage against COVID 19 have now been all but removed the measures adopted during the height of the pandemic continue to weigh down and put considerable pressure on travel infrastructure (especially airports) on the continent and across the lessee's (HH Operating Limited) core markets. This coupled with the compounding effect of the Russia Ukraine war on the European continent and the related inflationary pressures arising therefrom continue to be matters on close watch of the Company and the lessee, operating in the Hotel industry locally.

Dividend

No interim dividends are being proposed.


Approved by the Board of Directors on 26th July 2022 and signed by:



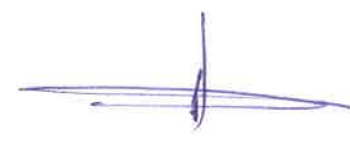
Mr. Tomio DePasquale
Director



Mr. Kari Pisani
Director



Mr. Luke Chetcuti
Director



Ms. Cheryle Falzon Chetcuti
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 30th June 2022, 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
Malta

Condensed statement of comprehensive income
For the period ended 30th June 2022

	Note	<i>30 June 2022</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €
Revenue	4	1,035,453	1,035,453
Administrative expenses		(46,603)	(45,029)
Operating profit	5	988,850	990,424
Interest income	6	132,250	101,659
Interest expense	7	(621,696)	(615,557)
Profit before tax		499,404	476,526
Taxation		(184,921)	(174,242)
Profit for the financial period		314,483	302,284
Total comprehensive income for the period		314,483	302,284
Earnings per share	16	2.10	2.02

Condensed statement of financial position as at 30th June 2022

	Note	30 June 2022 (unaudited) €	31 December 2021 (audited) €
ASSETS			
Non-current assets			
Investment property	8	39,000,000	39,000,000
Loans receivable	9	6,011,923	5,354,025
Other receivables	10	1,590,593	1,431,140
		<u>46,602,516</u>	<u>45,785,165</u>
Current assets			
Other receivables	10	6,584	3,219
Cash and cash equivalents	15	118,953	107,514
		<u>125,537</u>	<u>110,733</u>
TOTAL ASSETS		<u>46,728,053</u>	<u>45,895,898</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	150,000	150,000
Retained earnings		10,138,081	9,823,598
TOTAL EQUITY		<u>10,288,081</u>	<u>9,973,598</u>
Provisions for liabilities and charges			
Deferred tax liabilities	13	3,676,708	3,620,900
Non-current liabilities			
Borrowings	12	30,009,428	29,851,890
Other payables	14	2,319,917	1,980,417
		<u>32,329,345</u>	<u>31,832,307</u>
Current liabilities			
Trade and other payables	14	96,039	226,800
Current tax payable		337,880	242,293
		<u>433,919</u>	<u>469,093</u>
TOTAL LIABILITIES		<u>36,439,972</u>	<u>35,922,300</u>
TOTAL EQUITY AND LIABILITIES		<u>46,728,053</u>	<u>45,895,898</u>

The financial statements on pages 4 to 14 were approved by the directors on 26th July 2022 and signed by:



Mr. Luke Chetcuti
Director



Mr. Kari Pisani
Director

Condensed statement of changes in equity**For the period ended 30th June 2022**

	<i>Share capital</i> €	<i>Retained earnings</i> €	<i>Total equity</i> €
Financial year ended 31 December 2021			
Balance at 1 January 2021	150,000	6,447,682	6,597,682
Total comprehensive income for the year	-	3,375,916	3,375,916
Balance as at 31 December 2021	150,000	9,823,598	9,973,598
Financial period ended 30 June 2022			
Balance at 1 January 2022	150,000	9,823,598	9,973,598
Total comprehensive income for the period	-	314,483	314,483
Balance as at 30 June 2022	150,000	10,138,081	10,288,081

Condensed statement of cash flows

For the period ended 30th June 2022

	Note	30 June 2022 (unaudited) €	30 June 2021 (unaudited) €
Cash from operating activities:			
Profit before tax		499,404	476,526
Adjustment for:			
Interest expense		621,696	615,557
Interest income		(132,250)	(101,659)
Change in fair value of investment property		-	-
Profit from operations		<u>988,850</u>	<u>990,424</u>
Increase in other receivables		(162,818)	(163,847)
Decrease in trade and other payables		(130,761)	(114,844)
Cash from operating activities		<u>695,271</u>	<u>711,733</u>
Payment of income taxes		(33,526)	-
Net cash flows from operating activities		<u>661,745</u>	<u>711,733</u>
Cash used in financing activities:			
Repayments from a fellow subsidiary		242,910	203,318
Advances to a fellow subsidiary		(768,558)	(826,062)
Payments of interest		(124,658)	(124,578)
Net cash flows used in financing activities		<u>(650,306)</u>	<u>(747,322)</u>
Net cash decrease in cash and cash equivalents		11,439	(35,589)
Cash and cash equivalents at beginning of period		<u>107,514</u>	<u>136,094</u>
Cash and cash equivalents at end of period	15	<u>118,953</u>	<u>100,505</u>

Notes to the condensed financial statements**For the period ended 30th June 2022****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 Prospects 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 30th June 2022.

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 30th June 2022****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 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 30th June 2022**4 Revenue**

	<i>30 June 2022</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €
Rental income	<u>1,035,453</u>	<u>1,035,453</u>

5 Operating profit

The operating profit is stated after charging:

	<i>30 June 2022</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €
Auditors' remuneration	3,638	3,473
Directors' remuneration	<u>25,518</u>	<u>25,518</u>

6 Interest income

	<i>30 June 2022</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €
On related party loans	<u>132,250</u>	<u>101,659</u>

7 Interest expense

	<i>30 June 2022</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €
Interest on bonds	124,658	124,578
Interest on related party borrowings	339,500	339,500
Effective interest amortisation on related party borrowings	<u>157,538</u>	<u>151,479</u>
	<u>621,696</u>	<u>615,557</u>

Notes to the condensed financial statements

For the period ended 30th June 2022**8 Investment property**

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
At fair value		
Opening balance	39,000,000	36,000,000
Change in fair value	-	3,000,000
	<u>39,000,000</u>	<u>39,000,000</u>

9 Loans receivable

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
Loan facility to a fellow subsidiary company	749,301	972,736
Credit facility to a fellow subsidiary company	5,262,622	4,381,289
	<u>6,011,923</u>	<u>5,354,025</u>

10 Other receivables

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
Non-current		
Accrued income	<u>1,590,593</u>	<u>1,431,140</u>
Current		
Amounts owed by related parties	51	51
Prepayments	<u>6,533</u>	<u>3,168</u>
	<u>6,584</u>	<u>3,219</u>

Notes to the condensed financial statements

For the period ended 30th June 2021**11 Share capital**

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
Authorised, issued and full paid up		
149,999 Ordinary A shares at €1 each	149,999	149,999
1 Ordinary B share at €1	<u>1</u>	<u>1</u>
	<u>150,000</u>	<u>150,000</u>

12 Borrowings

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
Amounts owed to the parent company	25,009,428	24,851,890
€5,000,000 bonds, 5%, 2023-2028	<u>5,000,000</u>	<u>5,000,000</u>
	<u>30,009,428</u>	<u>29,851,890</u>

13 Deferred tax liability

	30 June 2022 <i>(unaudited)</i>	31 December 2021 <i>(audited)</i>
	€	€
The balance represents temporary differences attributable to:		
Accrued income	3,676,708	500,900
Fair valuation of investment property	<u>-</u>	<u>3,120,000</u>
	<u>3,676,708</u>	<u>3,620,900</u>

Notes to the condensed financial statements

For the period ended 30th June 2022

14 Trade and other payables

	<i>30 June 2022</i> <i>(unaudited)</i> €	<i>31 December 2021</i> <i>(audited)</i> €
Non-current		
Accrued interest	<u>2,319,917</u>	<u>1,980,417</u>
Current		
Trade payables	4,146	2,950
Accrued interest	29,452	154,795
Amounts due to related party	-	2,360
Accruals	8,158	9,419
Other taxes	2,092	1,892
VAT payable	50,227	51,327
Other payables	<u>1,964</u>	<u>4,057</u>
	<u>96,039</u>	<u>226,800</u>

15 Cash and cash equivalents

	<i>30 June 2022</i> <i>(unaudited)</i> €	<i>31 December 2021</i> <i>(audited)</i> €
Bank balances	<u>118,953</u>	<u>107,514</u>

16 Earnings per share

	<i>30 June 2022</i> <i>(unaudited)</i> €	<i>31 December 2021</i> <i>(audited)</i> €
Profit for the financial period/year	€ 314,483	€ 3,375,916
Weighted average number of ordinary shares	<u>149,999</u>	<u>149,999</u>
Basic earnings per share	<u>€ 2.10</u>	<u>€ 22.51</u>

17 Financial risk management

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

Notes to the condensed financial statements**For the period ended 30th June 2022****17 Financial risk management (Cont'd)****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.

18 Related party transactions

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 9, 10 and 12.