

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. Tomo 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.