

HH FINANCE PLC

Reg. No.: C 84461

Unaudited Half-Yearly Financial Report

For the period ended 30th June 2023

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Interim directors' report pursuant of Prospects Rule 4.11.12**For the period ended 30th June 2023**

This Half-Yearly report is being published in terms of Chapter 4 of the Prospects Rules of the Malta Stock Exchange. The Half-Yearly report comprises the reviewed unaudited condensed interim financial statements for the period ended 30th June 2023 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 €522,829 while accrued bond interest payable amounted to €125,000 based on the unaudited Half-Yearly financial report for the period ended 30th June 2023.

The Company continues to perform in line with expectations, based on its assumptions for the year 2023. Whilst the Tourism industry, including the Hospitality sector - in which the lessee of the Investment Property operates - are experiencing the strongest year since the COVID Pandemic of 2020, the continued geopolitical issues characterised by the Russia Ukraine conflict on the European continent and the continued inflationary pressures continue to represent macro risks to the wider economic context in which the business operates and are therefore matters under close watch of the Company and the lessee.

Dividend

No interim dividends are being proposed.

Approved by the Board of Directors on 8/28/2023 and signed by:



Mr. Kari Pisani
Director



Mr. Luke 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 2023, 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

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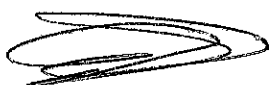
Condensed statement of comprehensive income
For the period ended 30th June 2023

	Note	30 June 2023 (unaudited) (6 months) €	30 June 2022 (unaudited) (6 months) €
Revenue	4	1,035,453	1,035,453
Administrative expenses		- 53,693	- 46,603
Operating profit	5	981,760	988,850
Interest income	6	163,107	132,250
Interest expense	7	- 622,038	- 621,696
Profit before tax		522,829	499,404
Taxation		- 240,247	- 184,921
Profit for the financial period		282,582	314,483
Total comprehensive income for the period		282,582	314,483
Earnings per share	16	1.88	2.10

Condensed statement of financial position as at 30th June 2023

	Note	30 June 2023 (unaudited) €	31 December 2022 (audited) €
ASSETS			
Non-current assets			
Investment property	8	39,000,000	39,000,000
Loans receivable	9	7,787,122	6,820,452
Other receivables	10	1,909,498	1,750,045
		<u>48,696,620</u>	<u>47,570,497</u>
Current assets			
Other receivables	10	6,594	3,219
Current tax receivable		-	9,362
Cash and cash equivalents	15	635	222,120
		<u>7,229</u>	<u>234,701</u>
TOTAL ASSETS		<u>48,703,849</u>	<u>47,805,198</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	150,000	150,000
Retained earnings		11,154,417	10,871,835
TOTAL EQUITY		<u>11,304,417</u>	<u>11,021,835</u>
Provisions for liabilities and charges			
Deferred tax liabilities	13	3,788,324	3,732,517
Non-current liabilities			
Borrowings	12	30,321,761	30,166,966
Other payables	14	2,844,122	2,659,417
		<u>33,165,883</u>	<u>32,826,383</u>
Current liabilities			
Trade and other payables	14	260,060	224,463
Current tax payable		185,165	-
		<u>445,225</u>	<u>224,463</u>
TOTAL LIABILITIES		<u>37,399,432</u>	<u>36,783,363</u>
TOTAL EQUITY AND LIABILITIES		<u>48,703,849</u>	<u>47,805,198</u>

The financial statements on pages 4 to 14 were approved by the directors on 8/28/2023 and signed by:



Mr. Luke Chetcuti
Director



Mr. Kari Pisani
Director

Condensed statement of changes in equity**For the period ended 30th June 2023**

	<i>Share capital</i> €	<i>Retained earnings</i> €	<i>Total equity</i> €
Financial year ended 31 December 2022			
Balance at 1 January 2022	150,000	9,823,598	9,973,598
Total comprehensive income for the year	<u>-</u>	<u>1,048,237</u>	<u>1,048,237</u>
Balance as at 31 December 2022	<u>150,000</u>	<u>10,871,835</u>	<u>11,021,835</u>
<hr/>			
Financial period ended 30 June 2023			
Balance at 1 January 2023	150,000	10,871,835	11,021,835
Total comprehensive income for the period	<u>-</u>	<u>282,582</u>	<u>282,582</u>
Balance as at 30 June 2023	<u>150,000</u>	<u>11,154,417</u>	<u>11,304,417</u>

Condensed statement of cash flows
For the period ended 30th June 2023

	Note	30 June 2023 (unaudited) €	30 June 2022 (unaudited) €
Cash from operating activities:			
Profit before tax		522,829	499,404
Adjustment for:			
Interest expense		622,038	621,696
Interest income		(163,107)	(132,250)
Change in fair value of investment property		-	-
Profit from operations		981,760	988,850
Increase in other receivables		(152,741)	(162,818)
Decrease in trade and other payables		(121,941)	(130,761)
Cash from operating activities		707,078	695,271
Payment of income taxes		-	(33,526)
Net cash flows from operating activities		707,078	661,745
Cash used in financing activities:			
Repayments from a fellow subsidiary		-	242,910
Advances to a fellow subsidiary		(803,564)	(768,558)
Payments of interest		(125,000)	(124,658)
Net cash flows used in financing activities		(928,564)	(650,306)
Net cash decrease in cash and cash equivalents		(221,486)	11,439
Cash and cash equivalents at beginning of period		222,120	107,514
Cash and cash equivalents at end of period	15	634	118,953

Notes to the condensed financial statements**For the period ended 30th June 2023****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 2023.

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 2023****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 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 2023

4 Revenue

	30 June 2023 <i>(unaudited)</i> (6 months) €	30 June 2022 <i>(unaudited)</i> (6 months) €
Rental income	<u>1,035,453</u>	<u>1,035,453</u>

5 Operating profit

	<i>(unaudited)</i> (6 months) €	<i>(unaudited)</i> (6 months) €
Auditors' remuneration	3,698	3,638
Directors' remuneration	<u>26,792</u>	<u>25,518</u>
	<u>30,490</u>	<u>29,156</u>

6 Interest income

	30 June 2023 <i>(unaudited)</i> (6 months) €	30 June 2022 <i>(unaudited)</i> (6 months) €
On related party loans	<u>163,107</u>	<u>132,250</u>

7 Interest expense

	30 June 2023 <i>(unaudited)</i> (6 months) €	30 June 2022 <i>(unaudited)</i> (6 months) €
Interest on bonds	125,000	124,658
Interest on related party borrowings	339,500	339,500
Effective interest amortisation on related party borrowings	<u>157,538</u>	<u>157,538</u>
	<u>622,038</u>	<u>621,696</u>

Notes to the condensed financial statements

For the period ended 30th June 2023

8 Investment property

	30 June 2023 <i>(unaudited)</i>	31 December 2022 <i>(audited)</i>
	€	€
At fair value		
Opening balance	39,000,000	39,000,000
Change in fair value	-	-
	<u>39,000,000</u>	<u>39,000,000</u>

9 Loans receivable

	30 June 2023 <i>(unaudited)</i>	31 December 2022 <i>(audited)</i>
	€	€
Loan facility to a fellow subsidiary company	702,526	655,301
Credit facility to a fellow subsidiary company	<u>7,084,596</u>	<u>6,165,151</u>
	<u>7,787,122</u>	<u>6,820,452</u>

10 Other receivables

	30 June 2023 <i>(unaudited)</i>	31 December 2022 <i>(audited)</i>
	€	€
Non-current		
Accrued income	<u>1,909,498</u>	<u>1,750,045</u>
Current		
Amounts owed by related parties	61	51
Prepayments	<u>6,533</u>	<u>3,168</u>
	<u>6,594</u>	<u>3,219</u>

Notes to the condensed financial statements

For the period ended 30th June 2023

11 Share capital

	<i>30 June 2023</i> <i>(unaudited)</i> €	<i>31 December 2022</i> <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

	<i>30 June 2023</i> <i>(unaudited)</i> €	<i>31 December 2022</i> <i>(audited)</i> €
Amounts owed to the parent company	25,321,761	25,166,966
€5,000,000 bonds, 5%, 2023-2028	<u>5,000,000</u>	<u>5,000,000</u>
	<u>30,321,761</u>	<u>30,166,966</u>

13 Deferred tax liability

	<i>30 June 2023</i> <i>(unaudited)</i> €	<i>31 December 2022</i> <i>(audited)</i> €
The balance represents temporary differences attributable to:		
Accrued income	668,325	612,517
Fair valuation of investment property	<u>3,120,000</u>	<u>3,120,000</u>
	<u>3,788,325</u>	<u>3,676,708</u>

Notes to the condensed financial statements

For the period ended 30th June 2023**14 Trade and other payables**

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December 2022</i> <i>(audited)</i>
	€	€
Non-current		
Accrued interest	<u>2,844,122</u>	<u>2,659,417</u>
Current		
Trade payables	5,891	2,950
Accrued interest	157,538	154,795
Amounts due to related party	-	-
Accruals	38,051	10,347
Other taxes	8,405	2,088
VAT payable	47,311	51,417
Other payables	<u>2,864</u>	<u>2,866</u>
	<u>260,060</u>	<u>224,463</u>

15 Cash and cash equivalents

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December 2022</i> <i>(audited)</i>
	€	€
Bank balances	<u>635</u>	<u>222,120</u>

16 Earnings per share

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December 2022</i> <i>(audited)</i>
	€	€
Profit for the financial period/year	€ 282,582	€ 1,048,237
Weighted average number of ordinary shares	<u>149,999</u>	<u>149,999</u>
Basic earnings per share	<u>€ 1.88</u>	<u>€ 6.99</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 2023****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.