

Date of Announcement: 29 June 2020

Reference: 15/2020



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.

Variations between 2019 Financial Results and Forecast for the Corresponding Period

QUOTE

Reference is made to the Audited Financial Statements of the Company for the financial year ended 2019, published on 26 June 2020 and annexed to Company Announcement 14/2020 (MSE Ref: HHF/34) (the “2019 Financial Statements”).

Reference is also made to the Financial Projections made by the Company in the Company Admission Document dated 11 May 2018 in respect of the financial year ended 2019.

In terms of the obligation of the Company under Rule 4.11.12 (Table 1, Item 4) of the Prospects MTF Rules, the Company draws attention herein to the following observations and variances between the projections made in the latter and the actual numbers published in the former, for the same year, namely and most notably:

1. the Company was able to generate revenues and contracted administrative expenses (and thus reported an operating profit and an EBITDA) in line with projections for the relevant period;
2. that, notwithstanding, a significant variance between projections and actuals for the year resulted from a steep increase in the valuation of the investment property held by the Company (*H Hotel*, situated at Triq Santu Wistin, Paceville, St. Julian's, Malta), projected at 35,000,000 euro and revalued at 45,000,000 euro in the actuals, thus resulting in a 10,000,000 euro difference. This was occasioned by a revaluation of the property in terms of the relevant notes and disclosures made in the 2019 Financial Statements (Note 10 on p. 27 to the 2019 Financial Statements);
3. The same revaluation and increase in the value of the property crystallised a significantly higher tax charge for the relevant year than that originally projected as explained in Note 9 on p. 26 to the 2019 Financial Statements, thus sensibly increasing the amounts payable by the Company by way of taxation;

4. Accordingly, and by reason of the hereabove mentioned, Retained Earnings were actually recorded as significantly higher than projected and thus at 13,640,891 euro versus the projected 1,137,200 euro;
5. The Company also draws attention to the reduction of the non-current liabilities versus projections made. Whilst projections for intra-group payables due to Hugo's Hotel Limited were forecast to be at 20,800,000 euro, which amount was projected to be still due in respect of the purchase price of the immovable tenement transferred to the Company, the Company has seen those liabilities owed to Hugo's Hotel Limited reduced to 16,975,000 euro following the recently announced recognition, in terms of Company Announcement 13/2020 (MSE Ref: HHF/33), of the defect in title in relation to part of the same property (containing circa six rooms) by a corresponding reduction of the originally agreed transfer price by 3,000,000 euro;
6. The above explains the higher Net Assets and Total Shareholder Equity reported relative to projections for the period;
7. Finally, but not least, the Company wishes to draw the market's attention to:
 - a. the cash position reported in the 2019 Financial Statements relative to projections and that is the actual of 451,681 euro relative to the projected 1,837,200 euro which difference is explained by the superseding loans / facilities advanced by the Company to HH Operating Limited (the Company's lessee) during the course of 2019 for a total aggregate amount of 2,325,035 euro; and
 - b. the increase in the interest expense element in the P&L Account of the Company following an adjustment made to better account for the amortisation of interest due to Hugo's Hotel Limited in respect of payables due to it.

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By order of the Board.



Dr Emma Grech
Company Secretary

29 June 2020