

**Date of Announcement: 3 August 2021**

**Reference: 11/2021**



**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.**

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### **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 2021. 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 2021 (MSE Ref: HHF 46) and the supplementary announcement regarding the FSFs for the financial year ending 31 December 2021 published on 24 May 2021 (MSE Ref: HHF 48), 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", is written over a horizontal line.

**Dr Emma Grech**

Company Secretary

**3 August 2021**

**HH FINANCE PLC**

**Reg. No.: C 84461**

**Unaudited Half-Yearly Financial Report**

**For the period ended 30<sup>th</sup> June 2021**

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**Interim directors' report pursuant of Prospectus Rule 4.11.12****For the period ended 30<sup>th</sup> June 2021**

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 2021 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 €476,526 while accrued bond interest payable amounted to €124,578 based on the unaudited Half-Yearly financial report for the period ended 30<sup>th</sup> June 2021.

The Company continues to perform in line with expectations based on its assumptions for the year 2021. This notwithstanding the ongoing – albeit less restrictive at time of publication – measures still in force to counter the COVID 19 pandemic and the effects this continues to have on a full return to normality for the tourism industry locally.

**Dividend**

No interim dividends are being proposed.

Approved by the Board of Directors on 3<sup>rd</sup> August 2021 and signed by:



Mr. Luke Chetcuti  
**Director**



Mr. Kari Pisani  
**Director**

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**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 2021, 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

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**Condensed statement of comprehensive income**
**For the period ended 30<sup>th</sup> June 2021**

	Note	<i>30 June 2021</i> <i>(unaudited)</i> <i>(6 months)</i> €	<i>30 June 2020</i> <i>(unaudited)</i> <i>(6 months)</i> €
Revenue	4	1,035,453	1,035,453
Administrative expenses		<u>(45,029)</u>	<u>(54,708)</u>
<b>Operating profit</b>	<b>5</b>	<b>990,424</b>	980,745
Interest income	6	101,659	67,925
Interest expense	7	<u>(615,557)</u>	<u>(611,741)</u>
<b>Profit before tax</b>		<b>476,526</b>	436,929
Taxation		<u>(174,242)</u>	<u>(126,796)</u>
<b>Profit for the financial period</b>		<u><b>302,284</b></u>	<u>310,133</u>
<b>Total comprehensive income for the period</b>		<u><b>302,284</b></u>	<u>310,133</u>
<b>Earnings per share</b>	<b>16</b>	<u><b>2.02</b></u>	<u>2.07</u>

Condensed statement of financial position as at 30<sup>th</sup> June 2021

	Note	30 June 2021 (unaudited) €	31 December 2020 (audited) €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	8	36,000,000	36,000,000
Loans receivable	9	4,627,908	3,903,505
Other receivables	10	1,271,688	1,112,235
		<u>41,899,596</u>	<u>41,015,740</u>
<b>Current assets</b>			
Other receivables	10	7,149	2,755
Cash and cash equivalents	15	100,505	136,094
		<u>107,654</u>	<u>138,849</u>
<b>TOTAL ASSETS</b>		<u>42,007,250</u>	<u>41,154,589</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	150,000	150,000
Retained earnings		6,749,966	6,447,682
<b>TOTAL EQUITY</b>		<u>6,899,966</u>	<u>6,597,682</u>
<b>Provisions for liabilities and charges</b>			
Deferred tax liabilities	13	3,325,091	3,269,283
<b>Non-current liabilities</b>			
Borrowings	12	29,700,412	29,548,933
Other payables	14	1,640,917	1,301,417
		<u>31,341,329</u>	<u>30,850,350</u>
<b>Current liabilities</b>			
Trade and other payables	14	102,937	217,781
Current tax payable		337,927	219,493
		<u>440,864</u>	<u>437,274</u>
<b>TOTAL LIABILITIES</b>		<u>35,107,284</u>	<u>34,556,907</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>42,007,250</u>	<u>41,154,589</u>

The financial statements on pages 4 to 14 were approved by the directors on 3<sup>rd</sup> August 2021 and signed by:

Mr. Luke Chetcuti  
Director

Mr. Kari Pisani  
Director

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**Condensed statement of changes in equity**
**For the period ended 30<sup>th</sup> June 2021**

	<i>Share capital</i> €	<i>Retained earnings</i> €	<i>Total equity</i> €
<b>Financial year ended 31 December 2020</b>			
Balance at 1 January 2020 as previously reported	150,000	13,640,891	13,790,891
Prior period adjustment	<u>-</u>	<u>515,664</u>	<u>515,664</u>
Balance at 1 January 2020 as restated	150,000	14,156,555	14,306,555
Total comprehensive loss for the year	<u>-</u>	<u>(7,708,873)</u>	<u>(7,708,873)</u>
<b>Balance as at 31 December 2020</b>	<b><u>150,000</u></b>	<b><u>6,447,682</u></b>	<b><u>6,597,682</u></b>
<b>Financial period ended 30 June 2021</b>			
Balance at 1 January 2021	150,000	6,447,682	6,597,682
Total comprehensive income for the period	<u>-</u>	<u>302,284</u>	<u>302,284</u>
<b>Balance as at 30 June 2021</b>	<b><u>150,000</u></b>	<b><u>6,749,966</u></b>	<b><u>6,899,966</u></b>

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**Condensed statement of cash flows**
**For the period ended 30<sup>th</sup> June 2021**

	<b>Note</b>	<b>30 June 2021 (unaudited) €</b>	<b>31 December 2020 (audited) €</b>
<b>Cash from operating activities:</b>			
Profit/(loss) before tax		476,526	(8,097,938)
<b>Adjustment for:</b>			
Interest expense		615,557	1,220,305
Interest income		(101,659)	(154,523)
Change in fair value of investment property		-	9,000,000
<b>Profit from operations</b>		<b>990,424</b>	<b>1,967,844</b>
Increase in other receivables		(163,847)	(301,268)
Decrease in trade and other payables		(114,844)	(84,255)
<b>Cash from operating activities</b>		<b>711,733</b>	<b>1,582,321</b>
Payment of income taxes		-	(203,569)
<b>Net cash flows from operating activities</b>		<b>711,733</b>	<b>1,378,752</b>
<b>Cash used in financing activities:</b>			
Repayments from a fellow subsidiary		203,318	174,482
Advances to a fellow subsidiary		(826,062)	(1,598,429)
Payments of interest		(124,578)	(250,000)
<b>Net cash flows used in financing activities</b>		<b>(747,322)</b>	<b>(1,673,947)</b>
<b>Net cash decrease in cash and cash equivalents</b>		<b>(35,589)</b>	<b>(295,195)</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>136,094</b>	<b>431,289</b>
<b>Cash and cash equivalents at end of period/year</b>	<b>15</b>	<b>100,505</b>	<b>136,094</b>



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**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2021****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 30<sup>th</sup> June 2021.

**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.

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**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2021****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 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 2021

## 4 Revenue

	<b>30 June 2021</b> <b>(unaudited)</b> <b>(6 months)</b> €	<b>30 June 2020</b> <b>(unaudited)</b> <b>(6 months)</b> €
Rental income	<b>1,035,453</b>	<b>1,035,453</b>

## 5 Operating profit

The operating profit is stated after charging:

	<b>30 June 2021</b> <b>(unaudited)</b> <b>(6 months)</b> €	<b>30 June 2020</b> <b>(unaudited)</b> <b>(6 months)</b> €
Auditors' remuneration	<b>3,473</b>	3,000
Directors' remuneration	<b>25,518</b>	<b>25,518</b>

## 6 Interest income

	<b>30 June 2021</b> <b>(unaudited)</b> <b>(6 months)</b> €	<b>30 June 2020</b> <b>(unaudited)</b> <b>(6 months)</b> €
On related party loans	<b>101,659</b>	<b>67,925</b>

## 7 Interest expense

	<b>30 June 2021</b> <b>(unaudited)</b> <b>(6 months)</b> €	<b>30 June 2020</b> <b>(unaudited)</b> <b>(6 months)</b> €
Interest on bonds	<b>124,578</b>	126,588
Interest on related party borrowings	<b>339,500</b>	339,500
Effective interest amortisation on related party borrowings	<b>151,479</b>	145,653
	<b>615,557</b>	<b>611,741</b>

## Notes to the condensed financial statements

For the period ended 30<sup>th</sup> June 2021

## 8 Investment property

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
<b>At fair value</b>		
Opening balance	36,000,000	45,000,000
Change in fair value	-	(9,000,000)
	<u>36,000,000</u>	<u>36,000,000</u>

## 9 Loans receivable

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
Loan facility to a fellow subsidiary company	1,110,404	1,229,221
Credit facility to a fellow subsidiary company	3,517,504	2,674,284
	<u>4,627,908</u>	<u>3,903,505</u>

## 10 Other receivables

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
<b>Non-current</b>		
Accrued income	<u>1,271,688</u>	<u>1,112,235</u>
<b>Current</b>		
Amounts owed by related parties	51	51
Prepayments	<u>7,098</u>	<u>2,704</u>
	<u>7,149</u>	<u>2,755</u>

## Notes to the condensed financial statements

For the period ended 30<sup>th</sup> June 2021

## 11 Share capital

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
<b>Authorised, issued and full paid up</b>		
149,999 Ordinary A shares at €1 each	149,999	149,999
1 Ordinary B share at €1	<u>1</u>	<u>1</u>
	<b><u>150,000</u></b>	<b><u>150,000</u></b>

## 12 Borrowings

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
Amounts owed to the parent company	24,700,412	24,548,933
€5,000,000 bonds, 5%, 2023-2028	<u>5,000,000</u>	<u>5,000,000</u>
	<b><u>29,700,412</u></b>	<b><u>29,548,933</u></b>

## 13 Deferred tax liabilities

	<b>30 June 2021</b> <i>(unaudited)</i>	<i>31 December 2020</i> <i>(audited)</i>
	€	€
The balance represents temporary differences attributable to:		
Accrued income	3,325,091	389,283
Fair valuation of investment property	-	<u>2,880,000</u>
	<b><u>3,325,091</u></b>	<b><u>3,269,283</u></b>

## Notes to the condensed financial statements

For the period ended 30<sup>th</sup> June 2021

## 14 Trade and other payables

	<b>30 June 2021</b> <i>(unaudited)</i>	<b>31 December 2020</b> <i>(audited)</i>
	€	€
<b>Non-current</b>		
Accrued interest	<u>1,640,917</u>	<u>1,301,417</u>
<b>Current</b>		
Trade payables	13,511	4,721
Accrued interest	29,372	154,795
Accruals	6,070	9,305
Other taxes	1,892	1,038
VAT payable	50,085	46,595
Other payables	<u>2,007</u>	<u>1,327</u>
	<u>102,937</u>	<u>217,781</u>

## 15 Cash and cash equivalents

	<b>30 June 2021</b> <i>(unaudited)</i>	<b>31 December 2020</b> <i>(audited)</i>
	€	€
Bank balances	<u>100,505</u>	<u>136,094</u>

## 16 Earnings/(loss) per share

	<b>30 June 2021</b> <i>(unaudited)</i>	<b>31 December 2020</b> <i>(audited)</i>
	€	€
Profit/(loss) for the financial period/year	€ 302,284	€ (7,708,873)
Weighted average number of ordinary shares	<u>149,999</u>	<u>149,999</u>
<b>Basic earnings/(loss) per share</b>	<u>€ 2.02</u>	<u>€ (51.39)</u>

## 17 Financial risk management

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

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**Notes to the condensed financial statements****For the period ended 30<sup>th</sup> June 2021****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.