MMH FINANCE plc

COMPANY ANNOUNCEMENT

The following is a Company Announcement by Mediterranean Maritime Hub Finance plc [C 76597] (hereinafter the 'Company') of Mediterranean Maritime Hub Head Office, Xatt il-Mollijiet, Marsa MRS 1152, pursuant to Chapter 5 of the Malta Financial Services Authority Listing Rules:

Quote

It is announced that during the meeting of the Board of Directors of the Company held today, 30 April, 2020, the Company's audited financial statements for the year ended 31 December, 2019 were unanimously approved by the said Board.

The Company's Audited Financial Statements for the year ended 31 December 2019 are published together with this announcement, and are also available for viewing on the Company's website at http://www.mmh.com.mt/mmh-finance/

Furthermore, in accordance with Listing Rule 5.61, it is also announced that the audited financial statements of MMH Holdings Limited [C45547] (the guarantor of the €15,000,000 Unsecured 4.8% Bonds 2026 issued by the Company in terms of a prospectus dated 16th September 2016), for the financial year ended 31 December, 2019 have been approved by its Board of Directors today, and are also published together with this announcement as well as being available for viewing on the webpage referred to above.

Lastly, with reference to the Company's announcements of the 15th and 27th April, the Company announces that its Annual General Meeting was not held today, and has been rescheduled to a future date.

Unquote

By order of the Board.

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DR. MICHAEL ZAMMIT MAEMPEL
COMPANY SECRETARY

30th April, 2020

MEDITERRANEAN MARITIME HUB FINANCE p.l.c.

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C76597

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Directors' report

The directors have prepared this report in accordance with Article 177 of the Companies Act (Chapter 386 of the Laws of Malta) ('the Act') including the further provisions as set out in the Sixth Schedule to the Act together with the financial statements of the Company for the year ended 31 December 2019.

Directors, Officers & Other Information

Directors:
Mr Paul Abela (Chairman)
Dr Michael Borg Costanzi
Mr Lino Casapinta
Mr Raymond Ciantar
Mr Victor Denaro
Ms Angelique Maggi

Company Secretary:
Dr Michael Zammit Maempel

Registered Office:
Mediterranean Maritime Hub,
Xatt il-Mollijiet,
Marsa MRS 1152
Malta

Country of Incorporation: Malta

Company Registration Number: C 76597

Auditors:
PricewaterhouseCoopers,
78, Mill Street,
Qormi QRM 3010
Malta

Principal bankers:
Bank of Valletta plc,
58, Zachary Street
Valletta VLT 1130
Malta

Principal Activities

The Company's business is that of raising funds to support and finance the operations and capital projects of the MMH Group of Companies (hereinafter the 'Group'), which provides offshore and shore-based logistics to the marine and oil and gas industries, as well as engineering services, supply chain management and human resources to support the same industries.

Directors' report - continued

Review of the Business

The Company issued bonds to the public in October 2016 for the total amount of EUR 15m (the 'Bonds'). The Company advanced the proceeds of the Bonds to two companies within the Group to finance the development of a site measuring almost 170,000m^2 in Malta's Grand Harbour, formerly known as the Marsa Shipbuilding Site, to serve as a regional hub for the provision of the Group's shore-based services and facilities (hereinafter the 'Mediterranean Maritime Hub' or the 'Site' or 'Hub'). Following a public deed published on the 1st August, 2016, the Guarantor (MMH Holdings Limited) took full possession of this Site which is partly operational and partly under development.

The Company recognises that the key risk of its business is that of the potential non-fulfilment by the borrowers (that is, the two Group members) of their obligations under the relative loan agreements; and due to the borrowers' operations, this risk is impacted by developments in the oil and gas industry.

Financial risk management

The company's financial risk management objectives and policies, and the exposure to market risk, credit risk and liquidity risk have been disclosed in Note 2 of these financial statements.

Guarantor's Performance for 2019 and Outlook for 2020

MMH Holdings Limited is the guarantor of the Bonds and is also the parent company of the Group. As such, its performance is dependent on the performance of the Group as a whole.

During the year under review, the Group continued with the development of the Hub in line with its ten-year plan. The amount invested in the Hub during the year totalled EUR 4.6m, with this investment consisting mostly of infrastructural improvements to quays, yard and buildings as well as the purchase of specialised equipment. The total investment in the Hub at cost at end of 2019 reached EUR 32m.

Efforts to attract major oil and gas projects to the Hub continued through the year under review. Whilst major interest was shown in the Hub and the services it can offer, no major projects in the immediate region took off.

The price of OPEC oil for 2019 averaged USD 64 per barrel (source: www.statista.com), slightly lower than the year before, however, the activity in the industry has now declined again as a result of the record low prices of crude oil that are being registered in 2020.

The Group continued to pursue its efforts to identify new markets and clients in the range of services it provides. In fact, the new revenue streams that the Group embarked on in the year under review, especially the vessel-hoisting facilities and maintenance on vessels, have exceeded expected income and have shown persistent growth throughout.

In addition, the compensation received from Government agencies for the use of the temporary relief road currently passing through the Site has contributed to increase the profit for the year.

In 2019, Group sales increased by EUR 2.88m, leaving a profit of EUR 568,502 after tax (2018: loss of EUR 1,012,229). This notwithstanding the slow activity in the oil and gas industry.

Directors' report - continued

Guarantor's Performance for 2019 and Outlook for 2020 - continued

The outlook of the Guarantor for 2020 is, unfortunately, highly impacted by the COVID-19 pandemic. Although, at the time of approving these financial statements, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a negative impact on the Group's outlook for the next twelve months. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived.

As a result, the future of the Hub, which is the main business of the Group, is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

COVID-19 Pandemic Assessment

The Company has carried out an assessment of COVID-19 and its implications, and it has established that the impact of the pandemic is only that which effects the operations of the Group.

The Group has carried out an assessment of the potential impact that the pandemic will have on its operations, focusing primarily on the coming year. The Group has also taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus. This assessment and the said measures were shared with the Company.

The Group has prepared detailed cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis. Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions, which as deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements.

The cash flow forecast presented by the Group indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. Included in these commitments is the payment of Bond interest due in October 2020. The Company notes that the cash flow forecast also shows that the Group does not have a strong buffer that could cater for any adverse diversions from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub.

Having said that, the Company is informed that further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Company is informed that the Group is confident that, with the COVID-19-related Government assistance in place, such financing should be forthcoming. Furthermore, other measures are being considered by the Group to strengthen its ability to realise the Hub's potential as soon as possible once the pandemic is over.

In any case, the Company has already secured funds to cover a considerable part of the Bond interest due in October 2020, leaving the remaining balance to be financed by the Group before such due date.

Directors' report - continued

Going Concern Statement

Pursuant to Listing Rule 5.62, the Directors declare that after making enquiries, at the time of approving the financial statements, and after having considered the Group's cash flow forecast and the funds available in hand, they have determined that the Company has the needed resources to continue operating for the next twelve months. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Results and Dividends

The results for the year ended 31 December 2019 are shown in the statements on page 19 hereof. No interim dividend was declared or paid out during the year. No final dividend is being recommended.

Statement of Directors' Responsibilities for the Financial Statements

The directors are required by the Act to prepare financial statements that give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with international financial reporting standards as adopted within the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal controls. These controls serve to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that these statements comply with the Act. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Mediterranean Maritime Hub Finance p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors’ report - continued

Statement of Responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm to the best of our knowledge:

(a) In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted within the European Union; and

(b) In accordance with the Listing Rules, the directors’ report includes a fair review of the performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Paul Abela	Raymond Ciantar
Director	Director

Registered office:
Mediterranean Maritime Hub
Xatt il-Mollijiet
Marsa
Malta

30 April 2020

Corporate governance - Statement of compliance

Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Mediterranean Maritime Hub Finance p.l.c. (the 'Issuer' or the 'Company') (a subsidiary of MMH Holdings Limited – the 'Guarantor') hereby reports on the extent to which the Company has adopted the "Code of Principles of Good Corporate Governance" (the "Code") appended to Chapter 5 of the Listing Rules, as well as the measures adopted to ensure compliance with these same Principles.

The Board of Directors of the Company (the 'Board') notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly maintains that the Principles are in the best interest of both shareholders as well as investors, since they ensure that the Directors adhere to internationally recognised high standards of corporate governance.

The Board recognises that in line with Listing Rule 5.101, the Company is exempt from making available the information set out in Listing Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.8.

Roles and responsibilities

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for:

- the Company's strategy and decisions with respect to the issue, servicing and redemption of the Bonds;
- monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, other external financiers and all relevant laws and regulations.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

Board of Directors

The Company has six Directors who are appointed by its ultimate principal shareholder, MMH Holdings Limited.

For the financial year ended 31 December 2019, three of the Directors, Mr Paul Abela, Mr Raymond Ciantar and Ms Angelique Maggi, occupied senior executive positions within the Group. The remaining three Directors, Dr Michael Borg Costanzi, Mr Lino Casapinta and Mr Victor Denaro serve as non-executive and independent Directors. These Directors are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either.

In assessing the independence of Dr Borg Costanzi, Mr Casapinta and Mr Denaro, due notice has been taken of Section 5.117 of the Listing Rules.

Corporate governance - Statement of compliance - continued

The exercise of the role of the Board

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of bondholders, external borrowers and the shareholders.

Meetings of the Board were held as frequently as considered necessary. Individual Directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. All agenda items were then discussed during the Board meetings held during 2019.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- direct supervision, supported by expert professional advice as appropriate, on the issue and listing of bonds;
- that the proceeds of the Bonds are applied for the purposes for which they were sanctioned as specified in the offering memoranda of the Bonds;
- proper utilisation of the resources of the Company;
- approval of the annual report and financial statements and of relevant public announcements and for the Company's compliance with its continuing listing obligations.

The Board does not consider necessary to institute separate committees such as the remuneration and the nomination committees, as would be appropriate in an operating company. This is largely due to the fact that the Company does not have any employees.

Risk Management and Internal Control

The Board recognises that the Company must manage a range of risks in the course of its activities and the failure to adequately manage these risks could adversely impact the business. Whilst no system can provide absolute guarantees and protection against material loss, the risk management systems are designed to give the Directors reasonable assurance that problems can be identified promptly and remedial action can be taken as appropriate.

The Board maintains sound risk management and internal control systems. It is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board establishes formal and transparent arrangements to apply risk management and internal control principles, as well as maintaining an appropriate relationship with the Company's auditors.

Audit Committee

The Terms of Reference of the Audit Committee, which were approved by the Listing Authority of the Malta Financial Services Authority, are modelled on the principles set out in the Listing Rules themselves. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the Group financial statements and disclosures, and monitoring the system of internal control established by management, as well as the audit process.

Corporate governance - Statement of compliance - continued

Audit Committee - continued

The Audit Committee, established by the Board, meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

- Mr Lino Casapinta (Chairman)
- Dr Michael Borg Costanzi
- Mr Victor Denaro

All three members are non-executive Directors. Furthermore, Mr Lino Casapinta is an independent non-executive Director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

The Chief Financial Officer and the Senior Executive of the Finance Function are regularly invited to attend Audit Committee meetings.

The Audit Committee held five meetings throughout 2019. Communication with and between the Company Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

As required by the Companies Act (Chapter 386 of the Laws of Malta) and the Malta Financial Services Authority Listing Rules, the financial statements of the Company are subject to annual audit by its external auditors. In addition, the non-executive Directors have direct access to the external auditors of the Company, who attend the Board meetings at which the Company's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Company has formal mechanisms to monitor dealings by Directors and senior officials in the Bonds of the Company and has also put in place the appropriate mechanisms for the advance notification of such dealings.

Relations with the Market

The market is kept up to date with all relevant information, and the Company regularly publishes such information on its website to ensure consistent relations with the market.

Corporate governance - Statement of compliance - continued

Remuneration Statement

Pursuant to the Company's Memorandum and Articles of Association, the maximum annual aggregate emoluments that may be paid to the Directors is approved by the shareholders in General Meeting. Furthermore, the remuneration of Directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

During the year under review, the Directors received emoluments amounting in total to €50,000.

Approved by the Board of Directors and signed on its behalf on 30 April 2020 by:

Mr. Paul Abela Director	Mr. Raymond Ciantar Director

Independent auditor's report

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Mediterranean Maritime Hub Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Mediterranean Maritime Hub Finance p.l.c.'s financial statements set out on pages 18 to 36 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

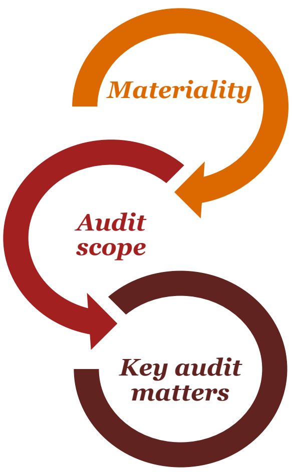
The non-audit services that we have provided to the company, in the period from 1 January 2019 to 31 December 2019, are disclosed in note 12 to the financial statements.

Emphasis of matter

We draw attention to Note 17 in these financial statements which addresses developments in connection with COVID-19 pandemic, and the potential impact on financial and operational performance. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potentially unfavourable nature of these developments, and the impact they could have on the basis of preparation of these financial statements. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- *Overall materiality: €76,000, which represents 0.5% of total assets*

- *Recoverability of loans issued to parent company and fellow subsidiary.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€76,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is an appropriate measure for this type of entity. We chose 0.5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,800 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recoverability of loans issued to parent company and fellow subsidiary	
Loans and receivables include funds advanced to the parent company, MMH Holdings Limited (the Guarantor of the bonds), and a fellow subsidiary, MMH Malta Limited. Loan balances with these related parties as at 31 December 2019 amounted to €14.8 million. As explained in accounting policy note 1.3, the recoverability of the loans is assessed at the end of each financial year. The loans are the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms of these loans to supporting loan agreements. We have assessed the financial soundness of the parent company, MMH Holdings Limited, which is also the guarantor of the company's bonds, and that of the fellow subsidiary, MMH Malta Limited. In doing this, we referred to the latest audited financial statements, management accounts, cash flow projections, forecasts, the related COVID-19 assessment and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company and the disruption to its business and the overall economy.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - *continued*

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap.386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Appointment

We were first appointed as auditors of the Company on 26 July 2016. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of four years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

30 April 2020

Statement of financial position

	Notes	At 31 December	
		2019	2018
		€	€
ASSETS			
Non-current assets			
Loans receivable from related parties	4	**14,750,000**	14,750,000
Total non-current assets		**14,750,000**	14,750,000
Current assets			
Trade and other receivables	5	**410,398**	470,259
Cash and cash equivalents	6	**123,870**	1,662
Total current assets		**534,268**	471,921
Total assets		**15,284,268**	15,221,921
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**250,000**	250,000
Retained earnings		**128,843**	79,794
Total equity		**378,843**	329,794
Non-current liabilities			
Borrowings	8	**14,741,187**	14,709,896
Total non-current liabilities		**14,741,187**	14,709,896
Current liabilities			
Trade and other payables	9	**164,238**	182,231
Total current liabilities		**164,238**	182,231
Total liabilities		**14,905,425**	14,892,127
Total equity and liabilities		**15,284,268**	15,221,921

The notes on pages 22 to 36 are an integral part of these financial statements.

The financial statements on pages 18 to 36 were authorised for issue by the board of directors on 30 April 2020 and were signed on its behalf by:

Paul Abela
Director

Raymond Ciantar
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	2018 €
Finance income	10	**877,625**	877,625
Finance costs	11	**(751,292)**	(749,771)
Net interest income		**126,333**	127,854
Administrative expenses	12	**(77,284)**	(77,917)
Profit before tax		**49,049**	49,937
Tax expense	13	**-**	(17,478)
Profit for the year - total comprehensive income		**49,049**	32,459

The notes on pages 22 to 36 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
As at 1 January 2018	250,000	47,335	297,335
Comprehensive income			
Profit for the year - total comprehensive income	-	32,459	32,459
Balance at 31 December 2018	**250,000**	**79,794**	**329,794**
As at 1 January 2019	250,000	79,794	329,794
Comprehensive income			
Profit for the year - total comprehensive income	-	49,049	49,049
Balance at 31 December 2019	**250,000**	**128,843**	**378,843**

The notes on pages 22 to 36 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December	
	Notes	**2019** **€**	2018 €
Cash flows from operating activities			
Cash from/(used in) operations	15	**122,208**	(40,153)
Net cash from/(used in) operating activities		**122,208**	(40,153)
Net movement in cash and cash equivalents		**122,208**	(40,153)
Cash and cash equivalents at beginning of year		**1,662**	41,815
Cash and cash equivalents at end of year	6	**123,870**	1,662

The notes on pages 22 to 36 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Company's accounting periods beginning after 1 January 2019. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

The directors are of the opinion that there are no requirements that will have a significant impact on the financial statements of the company in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within administrative expenses.

1. Summary of significant accounting policies - continued

1.3 Financial assets

Classification

The company classifies its financial assets as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. Summary of significant accounting policies - continued

1.4 Trade and other receivables

Trade receivables comprise amounts due from parent and fellow subsidiary for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Details about the company's impairment policies and the calculation of loss allowance are provided in note 1.3.

1.5 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term which are subject to an insignificant risk of changes in value.

1.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.7 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1.8 Trade and other payables

Trade payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.9 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on a time-proportion basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the company's borrowings. Finance income and costs are recognised as they accrue, unless collectability is in doubt.

2. Financial risk management

2.1 Financial risk factors

The company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from loans receivable from related parties and guaranteed by MMH Holdings Limited. The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to currency risk and the directors deem interest rate risk exposure to be minimal due to matching of its interest costs on borrowings with finance income from its loans receivable from related parties referred to above.

(a) Credit risk

The company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The company's exposures to credit risk as at the end of the reporting period are analysed as follows:

	2019	2018
	€	€
Financial assets measured at amortised cost		
Loans receivable from related parties (Note 4)	**14,750,000**	14,750,000
Trade and other receivables	**402,565**	460,011
Cash and cash equivalents (Note 6)	**123,870**	1,662
	15,276,435	15,211,673

The company does not hold collateral as security on its loans receivable. As disclosed in note 8, MMH Holdings Limited has issued corporate guarantees with respect to the company's bonds. These borrowings have been loaned to MMH Holdings Limited and MMH Malta Limited through the issue of the company's loans receivable.

The company assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. Management consider 'low credit risk' for instruments, which have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In case of the loans issued and related advances, the assessment takes into consideration the financial position, performance and other factors of the related parties. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. The application of the expected credit risk model of IFRS 9, resulted in an immaterial loss allowance on the issuance of the loans receivable and related amounts due, and was therefore not reflected in the financial statements.

At 31 December 2019, cash and short-term deposits are held with counterparties with a good credit rating and are due to be settled within a short period of time. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses, as any such impairment would be wholly insignificant to the company.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Liquidity risk

The company is exposed to liquidity risk arising primarily from its ability to satisfy liability commitments depending on cash inflows receivable in turn from MMH Holdings Limited and MMH Malta Limited.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period to ensure that no additional financing facilities are expected to be required over the coming period. This process is performed through a rigorous assessment of detailed cash flow projections of the Group headed by its parent company where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The following tables analyse the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
31 December 2019	€	€	€	€	€
Unsecured bonds	15,000,000	20,040,000	720,000	2,880,000	16,440,000
Trade and other payables	164,238	164,238	164,238	-	-
	15,164,238	**20,204,238**	**884,238**	**2,880,000**	**16,440,000**

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
31 December 2018	€	€	€	€	€
Unsecured bonds	15,000,000	20,760,000	720,000	2,880,000	17,160,000
Trade and other payables	182,231	182,231	182,231	-	-
	15,182,231	20,942,231	902,231	2,880,000	17,160,000

2. Financial risk management - continued

2.2 Capital risk management

The company's bonds are guaranteed by MMH Holdings Limited. Related finance costs are also guaranteed by this company. The capital management of the company therefore consists of a process of regularly monitoring the financial position of the guarantor.

2.3 Fair values of financial instruments

At 31 December 2019 and 2018, the carrying amounts of receivables (net of loss allowance, if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Loans receivable from related parties

	2019	2018
	€	€
Loans to parent company and fellow subsidiary		
At beginning and end of year	**14,750,000**	14,750,000
At 31 December		
Cost and net book amount	**14,750,000**	14,750,000

Loans receivable reflect the transfer of funds to MMH Holdings Limited and MMH Malta Limited generated by the company from its bond. These loans are repayable in 2026.

Weighted average effective interest rate as at 31 December:

	2019	2018
Loans to parent company and fellow subsidiary	**5.95%**	5.95%

5. Trade and other receivables

	2019	2018
	€	€
Current		
Amounts due from parent	**56,031**	220,577
Amounts due from fellow subsidiary	**346,534**	239,434
Prepayments and accrued income	**7,833**	10,248
	410,398	470,259

Amounts due from parent and fellow subsidiary are unsecured, interest-free and repayable on demand.

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
	€	€
Cash and cash equivalents	**123,870**	1,662

7. Share capital

	2019 €	2018 €
Authorised, issued and fully paid up		
250,000 ordinary shares of €1 each	**250,000**	250,000

8. Borrowings

	2019 €	2018 €
Non-current		
15,000,000 4.80% unsecured bonds 2026	**14,741,187**	14,709,896

The unsecured bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	2019 €	2018 €
Face value		
15,000,000 4.80% bonds 2026	**15,000,000**	15,000,000
	15,000,000	15,000,000
Issue costs	**(354,188)**	(354,188)
Accumulated amortisation	**95,375**	64,084
Closing net book amount	**(258,813)**	(290,104)
Amortised cost at 31 December	**14,741,187**	14,709,896

The interest rate exposure of the borrowings of the company was as follows:

	2019	2018
Total borrowings:		
At fixed rates	**4.80%**	4.80%

The effective interest rates as at the end of the reporting period were as follows:

	2019	2018
Bonds 2026	**4.80%**	4.80%

8. Borrowings - continued

This note provides information about the contractual terms of the company's borrowings. For more information about the company's exposure to interest rate and liquidity risk, refer to note 2.

By virtue of an offering memorandum dated 16 September 2016, the company issued €15,000,000 bonds with a face value of €1,000 each. The bond's interest is payable annually in arrears on 14 October. The bonds are redeemable at par and are due for redemption on 14 October 2026 but the issuer may at any time purchase Bonds in the open market or otherwise at any price. The bonds are guaranteed by MMH Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 19 October 2016. The quoted market price as at 31 December 2019 for the bonds was €102 (2018: €104). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

9. Trade and other payables

	2019	2018
	€	€
Current		
Accruals and deferred income	**164,238**	164,753
Amounts owed to fellow subsidiary	**-**	17,478
	164,238	182,231

Amounts owed to fellow subsidiary are unsecured, interest-free and repayable on demand.

10. Finance income

	2019	2018
	€	€
Interest on loans to parent and fellow subsidiary	**877,625**	877,625

11. Finance costs

	2019	2018
	€	€
Coupon interest payable on bonds	**720,000**	720,000
Amortisation of bond issue costs	**31,292**	29,771
	751,292	749,771

12. Expenses by nature

Administrative expenses are classified by their nature as follows:

	2019 €	2018 €
Listing and related compliance costs	**16,942**	17,327
Directors' fees (Note 14)	**50,000**	50,000
Other expenses	**10,342**	10,590
	77,284	77,917

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	2019 €	2018 €
Annual statutory audit	**7,000**	7,000
Tax advisory and compliance services	**200**	200
	7,200	7,200

13. Tax expense

	2019 €	2018 €
Current tax expense - Group relief	**-**	17,478

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019 €	2018 €
Profit before tax	**49,049**	49,937
Tax on profit at 35%	**17,167**	17,478
Tax effect by:		
Unrecognized deferred tax movement	**(17,167)**	-
Tax expense	**-**	17,478

At 31 December 2019, the company had an unrecognized deferred tax asset of €39,980 arising an unabsorbed group relief that has not been recognized in these financial statements.

14. Directors' emoluments

	2019 €	2018 €
Directors' fees	**50,000**	50,000

15. Cash from/(used in) operations

Reconciliation of profit before tax to cash from/(used in) operations:

	2019 €	2018 €
Profit before tax	**49,049**	49,937
Adjustment for:		
Amortisation of bond issue costs	**31,291**	29,771
Changes in working capital:		
Trade and other receivables	**59,861**	(98,451)
Trade and other payables	**(17,993)**	(21,410)
Cash from/(used in) operations	**122,208**	(40,153)

16. Related party transactions

The company forms part of the MMH Group of Companies. All companies forming part of the MMH Group are related parties since these companies are all ultimately owned by MMH Holdings Limited. Trading transactions between these companies include items which are normally encountered in a group context. The group is ultimately fully owned by Paul Abela. Companies owned directly by Paul Abela are also considered to be related parties. The main related parties with whom transactions are entered into by the Company are MMH Malta Limited and MMH Holdings Limited, the guarantor of the borrowings (Note 8).

The following are the transactions that were carried out with related parties:

	2019 €	2018 €
Income statement		
Finance income from parent and fellow subsidiary	**877,625**	877,625

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 14 to the financial statements.

Year end balances arising from related party transactions are disclosed in notes 4, 5 and 9 to the financial statements.

17. Events subsequent to the end of the reporting period

The present COVID-19 Pandemic with its underlying uncertainties has hit most industries in Malta and abroad. The industrial and commercial sectors which are serviced by the group are no exception. The company recognises that the key risk and uncertainty of its operations is that of the potential non fulfilment by the borrowers, MMH Malta Limited and MMH Holdings Limited - the main operating subsidiary and the holding company of the group, of their obligations under the relative loan agreements.

Notwithstanding the crisis being caused by the pandemic, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a significant effect on the group's operations during 2020 and on the financial results expected to be registered during the year with material adverse impacts on the profitability, cash flows and financial position of the group. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived. As a result, the future is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

The Group has carried out an assessment of the potential impact that the COVID-19 pandemic will have on its operations, focusing primarily on the coming year. The Group has taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus. The Group has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis. Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions which as deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements. These cash flow forecast indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. These include amongst others honouring the loan agreements obligation that the group has with the company.

This cash flow forecast however shows that the Group does not have a strong buffer that could cater for any adverse divergencies from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub. Having said that, the Company is informed that further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Group is confident that, with the COVID-19-related Government assistance in place, such financing may be easier to obtain. Furthermore, other measures are being considered to strengthen the Group's ability to realise the Hub's potential as soon as possible once the pandemic is over.

In any case, the Company has already secured funds to cover a considerable part of the Bond interest due in October 2020, leaving the remaining balance to be financed by the Group before such due date.

Having taken into consideration the above assessment and facts, the directors of the company concluded that the group will be in a position to honour its obligations towards the company which in turn should fulfil its commitments which in principal include the payment of Bond interest due in October 2020. The Directors declare, at the time of approving the financial statements, that they have determined that the Company has the needed resources to continue operating for the next twelve months. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

18. Statutory information

Mediterranean Maritime Hub Finance p.l.c. is a limited liability company and is incorporated in Malta.

The ultimate and immediate parent company of Mediterranean Maritime Hub Finance p.l.c. is MMH Holdings Limited, a company registered in Malta, with its registered address at Head Office Building, Mediterranean Maritime Hub, Xatt il-Mollijiet, Marsa.

The ultimate controlling party of MMH Holdings Limited is Mr. Paul Abela.

MMH HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements
31 December 2019

Company Registration Number: C45547

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Directors' report

The directors of MMH Holdings Limited have prepared this report in accordance with Article 177 of the Companies Act (Chapter 386 of the Laws of Malta) ('the Act') including the further provisions as set out in the Sixth Schedule to the Act together with the financial statements of the Company for the year ended 31 December 2019.

Directors, Officers & Other Information

Directors: Mr Paul Abela (Chairman)
Mr Duncan Brincat
Mr Raymond Ciantar
Ms Angelique Maggi
Mr Joseph M. Maggi

Company Secretary:
Dr Michael Zammit Maempel

Registered Office:
Mediterranean Maritime Hub,
Xatt il-Mollijiet,
Marsa MRS 1152
Malta

Country of Incorporation: Malta

Company Registration Number: C 45547

Auditors: PricewaterhouseCoopers,
78, Mill Street,
Qormi QRM 3101
Malta

Principal bankers:
APS Bank Limited
APS Centre
Tower Street
Swatar – Birkirkara BKR 4012
Malta

Principal Activities

MMH Holdings Limited (the 'Company') is a parent company within the MMH Group of Companies (the 'Group') which provides specialised services to the marine oil and gas industries. The Group caters for the specific requirements of drilling contractors and their service providers with services ranging from manpower planning, project requirements, contracting of pre-screened and qualified personnel for the offshore/onshore oilfield industry, training of personnel, logistics, supply chain solutions, project management, rig agency services and rig stop services and facilities.

Directors' report - continued

Principal Activities - continued

The Company is the principal parent and Guarantor of Mediterranean Maritime Hub Finance plc [C76597] which in 2016 issued bonds to the value of €15,000,000 – which were fully subscribed by the general public, and the proceeds of which were in part advanced to the Company.

Financial reporting framework

The directors have prepared the Group's and the Company's financial statements for the year ended 31 December, 2019 in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015, and the requirements of the Maltese Companies Act (Chapter 386 of the Laws of Malta).

Review of the Business

During the year under review, the Group continued with the development of the Hub in line with its ten-year plan. The amount invested in the Hub during the year totalled EUR 4.6m, with this investment consisting mostly of infrastructural improvements to quays, yard and buildings as well as the purchase of specialised equipment. The total investment in the Hub at cost at end of 2019 reached EUR 32m.

Efforts to attract major oil and gas projects to the Hub continued through the year under review. Whilst major interest was shown in the Hub and the services it can offer, no major projects in the immediate region took off.

The price of OPEC oil for 2019 averaged USD 64 per barrel (source: www.statista.com), slightly lower than the year before, however, the activity in the industry has now declined again as a result of the record low prices of crude oil that are being registered in 2020.

The Group continued to pursue its efforts to identify new markets and clients in the range of services it provides. In fact, the new revenue streams that the Group embarked on in the year under review, especially the vessel-hoisting facilities and maintenance on vessels, have exceeded expected income and have shown persistent growth throughout.

In addition, the compensation received from Government agencies for the use of the temporary relief road currently passing through the Site has contributed to increase the profit for the year. In 2019, sales increased by EUR 2.88m, leaving a profit of EUR 568,502 after tax (2018: loss of EUR 1,012,229). This notwithstanding the slow activity in the oil and gas industry.

Outlook for financial year ending 31 December 2020

The outlook of the Group for 2020 is, unfortunately, highly impacted by the COVID-19 pandemic. Although, at the time of approving these financial statements, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a negative impact on the Group's outlook for the next twelve months. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived.

As a result, the future of the Hub, which is the main business of the Group, is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

Directors' report - continued

<u>COVID-19 Pandemic Assessment</u>

The Group has carried out an assessment of COVID-19 and its implications, and it has established that the impact of the pandemic is only that which effects the operations of the Group.

The Group has carried out an assessment of the potential impact that the pandemic will have on its operations, focusing primarily on the coming year.

Group Operations

The Group's assessment considered its current revenue streams that can be segmented as follows:

- Activities related to the Hub, including engineering works;
- Provision of offshore personnel and related logistics; and
- VesselCare activities.

The first two categories are interlinked as they are mainly targeted towards the oil and gas industry, while VesselCare activities consist mainly of maintenance work on yachts and other marine vessels of less than 700 tons, and are independent from the first two categories.

Oil & Gas Operations

As stated above, the price of crude oil has nosedived and crashed to unprecedented levels, causing the market to become totally volatile. The direct consequence of this is that most offshore oil exploration and drilling activities are now deemed unsustainable and have been shut down. In fact, international oil companies have carried out extensive cuts in their exploration budgets. The Group has seen all its clients in this industry substantially reducing personnel on drilling platforms and controlling personnel movements across their facilities. These measures have drastically reduced the revenue generated by the personnel recruitment and logistics functions within the Group.

Commercial Marine Activities

Berthing facilities at the Hub are currently on high demand since most commercial marine vessels operating in the Oil & Gas sector around Malta have been put off hire. In this regard, it is envisaged that berthing and berthing support services will not be affected but will remain in high demand until the pandemic eases off. Nevertheless, with the restrictions currently in place, technical personnel are not allowed to board these vessels and this heavily impacts the Group's capability to deliver its services, thus effecting budgeted revenues.

VesselCare Activities

VesselCare activities are currently operating at the budgeted levels. However, a slowdown in bookings has been observed, highlighting that the peak season for such an activity may be shortened by around three weeks.

Directors' report - continued

<u>COVID-19 Pandemic Assessment</u>

Other operational considerations

The Group has taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus.

Group cash flow projections

The Group has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis.

Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions, which was deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements.

The cash flow forecast presented by the Group indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. Included in these commitments is the payment of Bond interest due in October 2020.

The cash flow forecast also shows that the Group does not have a strong buffer that could cater for any adverse divergence from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub.

Having said that, further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Group is confident that, with the COVID-19-related Government assistance in place, such financing should be forthcoming. Furthermore, other measures are being considered by the Group to strengthen its ability to realise the Hub's potential as soon as possible once the pandemic is over.

Financial risk management

The Company's financial risk management objectives and policies, and the exposure to market risk, credit risk and liquidity risk have been disclosed in note 2 of these financial statements.

Results and Dividends

The income statement for the year ended 31 December 2019 is set out on page 13 hereof. No interim dividend was declared or paid out during the year (2018: €Nil). No final dividend is being recommended by the Board of Directors.

Directors' report - continued

Statement of Directors' Responsibilities for the Financial Statements

The directors are required by the Act to prepare financial statements that give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statement are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MMH Holdings Limited for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board of Directors

Mr. Paul Abela
Director

Mr. Raymond Ciantar
Director

30 April 2020

Independent auditor's report

To the Shareholders of MMH Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- MMH Holdings Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's financial position as at 31 December 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME); and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

MMH Holdings Limited's financial statements, set out on pages 11 to 46, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company income statements for the year then ended;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flow for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report *- continued*

To the Shareholders of MMH Holdings Limited

Emphasis of matter

We draw attention to note 28 in these financial statements which addresses developments in connection with COVID-19 pandemic, and the potential impact on financial and operational performance of the group and company. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potentially unfavourable nature of these developments, and the impact they could have on the basis of preparation of these financial statements. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information. We have nothing to report in this regard.

Independent auditor's report - continued

To the Shareholders of MMH Holdings Limited

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with GAPSME and the requirements of the Maltese Companies Act, (Cap.386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor’s report - continued

To the Shareholders of MMH Holdings Limited

Auditor’s responsibilities for the audit of the financial statements - continued

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s and group’s ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group and Company’s trade, customers and suppliers, and the disruption to their business and the overall economy.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - *continued*

To the Shareholders of MMH Holdings Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act, (Cap.386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

30 April 2020

Statements of financial position

		As at 31 December			
		Group		**Company**	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	3	**774,620**	796,043	**-**	-
Property, plant and equipment	4	**27,947,154**	24,488,925	**-**	-
Investment property	5	**-**	-	**5,908,156**	5,105,383
Financial assets:					
Investment in subsidiaries	6	**-**	-	**867,202**	917,202
Investment in associate	7	**10,000**	-	**10,000**	-
Trade and other receivables	9	**902,933**	860,461	**7,028,608**	5,814,158
Deferred taxation	12	**336,531**	338,313	**-**	-
Total non-current assets		**29,971,238**	26,483,742	**13,813,966**	11,836,743
Current assets					
Inventories	8	**205,645**	453,046	**-**	-
Trade and other receivables	9	**5,600,367**	6,012,198	**601,335**	187,152
Cash and cash equivalents	10	**1,030,097**	1,235,645	**1,212**	102,550
Total current assets		**6,836,109**	7,700,889	**602,547**	289,702
Total assets		**36,807,347**	34,184,631	**14,416,513**	12,126,445

Statements of financial position - continued

		As at 31 December			
		Group		**Company**	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reporting currency conversion reserve		**(58,279)**	(91,993)	**(295)**	(295)
Other reserves		**18,305**	18,305	**-**	-
Retained earnings		**3,383,097**	2,786,270	**(12,885)**	27,253
		4,343,123	3,712,582	**986,820**	1,026,958
Non-controlling interest		**25,996**	54,321	**-**	-
Total equity		**4,369,119**	3,766,903	**986,820**	1,026,958
Non-current liabilities					
Borrowings	13	**20,074,124**	18,047,242	**5,301,630**	3,549,362
Trade and other payables	14	**-**	-	**1,700,975**	1,588,632
Grants designated for specific purposes	15	**2,047,944**	1,704,891	**-**	-
Total non-current liabilities		**22,122,068**	19,752,133	**7,002,605**	5,137,994
Current liabilities					
Borrowings	13	**2,396,326**	2,110,794	**2,396,326**	2,110,794
Trade and other payables	14	**7,653,694**	8,195,236	**4,030,538**	3,826,713
Grants designated for specific purposes	15	**42,980**	42,980	**-**	-
Current tax liabilities		**223,160**	316,585	**224**	23,986
Total current liabilities		**10,316,160**	10,665,595	**6,427,088**	5,961,493
Total liabilities		**32,438,228**	30,417,728	**13,429,693**	11,099,487
Total equity and liabilities		**36,807,347**	34,184,631	**14,416,513**	12,126,445

The notes on pages 17 to 46 are an integral part of these financial statements.

The financial statements on pages 11 to 46 were authorised for issue by the board on 30 April 2020 and were signed on its behalf by:

Mr. Paul Abela
Director

Mr. Raymond Ciantar
Director

Income statements

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
		Year ended 31 December			
Revenue	16	**17,347,067**	14,469,908	**1,653,900**	1,013,378
Cost of sales	17	**(14,647,582)**	(11,571,427)	**(1,233,900)**	(713,378)
Gross profit		**2,699,485**	2,898,481	**420,000**	300,000
Distribution costs	17	**(318,204)**	(255,983)	**-**	-
Administrative expenses	17	**(2,549,115)**	(2,710,677)	**(135,063)**	(133,337)
Other income	19	**2,774,335**	42,845	**-**	11,873
Other expenses	20	**(1,005,297)**	-	**-**	-
Operating profit/(loss)		**1,601,204**	(25,334)	**284,937**	178,536
Investment income	21	**18,820**	18,872	**760**	770,032
Finance costs	22	**(1,052,366)**	(929,235)	**(320,186)**	(214,483)
Profit/(loss) before tax		**567,658**	(935,697)	**(34,489)**	734,085
Tax credit/(expense)	23	**844**	(76,532)	**(5,649)**	(269,350)
Profit/(loss) for the year		**568,502**	(1,012,229)	**(40,138)**	464,735
Attributable to:					
Equity holders		**596,827**	(1,019,087)	**(40,138)**	464,735
Non-controlling interest		**(28,325)**	6,858	**-**	-
		568,502	(1,012,229)	**(40,138)**	464,735

Statements of comprehensive income

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
	Year ended 31 December			
Profit/(loss) for the year	**596,827**	(1,019,087)	**(40,138)**	464,735
Other comprehensive income				
Transfer to foreign exchange reserve	**33,714**	(5,397)	**-**	-
Total comprehensive income for the year	**630,541**	(1,024,484)	**(40,138)**	464,735

The notes on pages 17 to 46 are an integral part of these financial statements.

Statements of changes in equity

Group	Note	Share capital €	Other reserves €	Foreign exchange reserve €	Retained earnings €	Non-controlling interest €	Total €
		Attributable to shareholders					
Balance as at 1 January 2018		500,000	18,305	(86,596)	4,305,357	46,923	4,783,989
Comprehensive income							
Loss for the year		-	-	-	(1,019,087)	6,858	(1,012,229)
Other comprehensive income							
Transfer to foreign exchange reserve		-	-	(5,397)	-	-	(5,397)
Total comprehensive income		-	-	(5,397)	(1,019,087)	6,858	(1,017,626)
Transactions with owners							
Capitalisation of reserves	11	500,000	-	-	(500,000)	-	-
Creation of non-controlling interest		-	-	-	-	540	540
		500,000	-	-	(500,000)	540	540
Balance at 31 December 2018		**1,000,000**	**18,305**	**(91,993)**	**2,786,270**	**54,321**	**3,766,903**
Balance as at 1 January 2019		1,000,000	18,305	(91,993)	2,786,270	54,321	3,766,903
Comprehensive income							
Profit for the year		-	-	-	596,827	(28,325)	568,502
Other comprehensive income							
Transfer to foreign exchange reserve		-	-	33,714	-	-	33,714
Total comprehensive income		-	-	33,714	596,827	(28,325)	602,216
Balance at 31 December 2019		**1,000,000**	**18,305**	**(58,279)**	**3,383,097**	**25,996**	**4,369,119**

Statements of changes in equity - continued

Company	Note	Share capital €	Foreign exchange reserve €	Retained earnings €	Total €
Balance at 1 January 2018		500,000	(295)	62,518	562,223
Comprehensive income					
Profit for the year		-	-	464,735	464,735
Transactions with owners					
Capitalisation of reserves	11	500,000	-	(500,000)	-
Balance at 31 December 2018		**1,000,000**	**(295)**	**27,253**	**1,026,958**
Balance at 1 January 2019		1,000,000	(295)	27,253	1,026,958
Comprehensive income					
Loss for the year		-	-	(40,138)	(40,138)
Balance at 31 December 2019		**1,000,000**	**(295)**	**(12,885)**	**986,820**

The notes on pages 17 to 46 are an integral part of these financial statements.

Statements of cash flows

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
		Year ended 31 December			
Cash flows from operating activities					
Cash from/(used in) operations	25	**2,799,899**	2,512,739	**(945,588)**	(1,734,158)
Finance income		**18,820**	18,872	**760**	770,032
Finance costs		**(1,021,075)**	(899,464)	**(320,186)**	(214,483)
Tax paid		**(90,799)**	(10,325)	**(23,876)**	(269,389)
Net cash from/(used in) operating activities		**1,706,845**	1,621,822	**(1,288,890)**	(1,447,998)
Cash flows used in investing activities					
Purchase of intangible assets		**-**	(11,293)	**-**	-
Purchase of property, plant and equipment		**(4,568,016)**	(6,630,128)	**-**	-
Additions to investment property		**-**	-	**(840,248)**	(1,864,591)
Additions to investment in subsidiaries		**-**	-	**-**	(348,800)
Disposal of investment in subsidiary		**-**	-	**-**	539
Additions to investment in associate		**(10,000)**	-	**(10,000)**	-
Net cash used in investing activities		**(4,578,016)**	(6,641,421)	**(850,248)**	(2,212,852)
Cash flows from financing activities					
Movement in borrowings		**1,932,701**	3,334,319	**1,689,378**	2,171,335
Additions to non-controlling interest		**384,500**	540	**-**	-
Proceeds from grants designated for specific purposes		**-**	87,740	**-**	-
Net cash from financing activities		**2,317,201**	3,422,599	**1,689,378**	2,171,335
Net movement in cash and cash equivalents		**(553,970)**	(1,597,000)	**(449,760)**	(1,489,515)
Cash and cash equivalents at beginning of year		**(453,176)**	1,143,824	**(1,586,271)**	(96,756)
Cash and cash equivalents at end of year	10	**(1,007,146)**	(453,176)	**(2,036,031)**	(1,586,271)

The notes on pages 17 to 46 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of MMH Holdings Limited and its subsidiaries. The consolidated financial statements have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 (GAPSME), and the requirements of the Maltese Companies Act, (Cap.386).

These financial statements have been prepared under the historical cost convention.

Going concern assessment

At 31 December 2019, the Group registered a profit for the year of €568,502 and reported net current liabilities of €3,480,051 and net equity of €4,369,119 in the statement of financial position.

Although, the Group's operations are all open for business and could be pursued to a certain extent during the COVID-19 pandemic so far, the global impact of the pandemic has and will surely have a significant effect on the Group's operations during 2020 and on the financial results expected to be registered during the year with material adverse impacts on the profitability, cash flows and financial position of the company. To this extent, management has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis.

At the time of approving the financial statements, after having considered the potential implications of COVID-19 on the Group's activities as disclosed in note 28, the Directors have determined that the Group has the required resources to continue operating for the next twelve months and the Group is expected to have sufficient funds to meet its own financial obligations as they fall due, including payment of interest on the 4.80% unsecured bonds which falls due on 14 October 2020. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Business combinations between entities under common control are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control and for which consolidated financial statements are prepared. When the controlling party does not prepare consolidated financial statements because it is not a parent Company, the financial statement amounts of the acquired entity are used.

No new goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity in a separate reserve. The financial statements incorporate the acquired entity's results only from the date on which the business combination between entities under common control occurred.

Under both methods of accounting, upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Unrealised gains on transactions between the Company and its subsidiary or associate are eliminated to the extent of the Company's interest in the subsidiary or associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Associates and joint ventures

Associates are all entities over which the Group and Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investment in associate and interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's and Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's and Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's and Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group and Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group and Company. The Group's and Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's and Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group and Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1.7. The Group and Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group and Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains and losses arising in investments in associates are recognised in the income statement.

A listing of the Group's and Company's principal associates is set out in note 7 to these financial statements.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation

(a) Functional and presentation currency

The Group's financial results and financial position are measured in the functional currency, i.e. euro ("€"), which is the currency of the primary economic environment in which the Company operates. Items included in the financial statements of each of the Group's entities are measured using the respective entity's functional currency. These consolidated financial statements are presented in euro ("€"), i.e. the presentation currency, which is the currency in which the Company's share capital is denominated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

(c) Group companies

Income statements of foreign entities are translated into the Group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal of a foreign entity, such translation differences that were previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences are recognised in other comprehensive income.

1.4 Intangible assets

(a) Licences

Separately acquired licences are initially shown at cost. Upon commissioning, these costs are amortised over their estimated useful lives of fifteen to twenty years.

(b) Course development

Courses development is capitalised on the basis of the costs incurred to develop a course and to ensure that it meets the prescribed standards. These costs are subject to amortisation over a period of 5 years.

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. All property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. These include ground rents due on uncommissioned leasehold land. Borrowing costs are recognised in profit or loss as incurred, in accordance with accounting policy note 1.20.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
Leasehold land and improvements to premises	1 - 2
Plant and equipment	20
Furniture and fittings	10 - 25
Motor vehicles	20

No depreciation is charged on assets in the course of construction since the assets have not yet been brought into use. Leasehold land and related improvements included within land and buildings (refer below) are depreciated over the remaining term of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.6 Investment property

The Company owns investment property, principally comprising the land in Marsa held under temporarily emphyteutical grants and is not occupied by the Company but rented out to its subsidiary. This property is included as property, plant and equipment in the Group accounts.

Investment property is measured initially at its historical cost, including related transaction costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. These include ground rents due on uncommissioned leasehold land. Borrowing costs are recognised in profit or loss.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at historical cost, less subsequent depreciation for buildings, and impairment.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

Freehold land is not depreciated as it is deemed to have an indefinite life. The commissioned capitalised cost of improvements is amortised using the straight-line method over the remaining term of the lease and in accordance with the term of the lease. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

A property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the Company decides to dispose of an investment property without development, the Company continues to treat the property as an investment property. Similarly, if the Company begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its carrying amount at the date of change in use.

1.7 Impairment of investments in subsidiaries, associates and non-financial assets

Investments in subsidiaries, associates and non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.8 Financial assets

1.8.1 Classification

The Group classifies its financial assets, other than investments in subsidiaries in the loans and receivables category. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.10 and 1.11).

1.8.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.8.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials, labour and direct overheads incurred in bringing the product to its present location and condition. Net realisable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value, including transaction costs. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Grants designated for specific purposes

Grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same reporting periods in which the expenses are incurred. This compensation is disclosed in the same reporting line as the related expense.

Grants that compensate the group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset to match the depreciation charge. Capital grants are recorded as deferred income and released to the income statement over the estimated useful life of the related assets.

1.16 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

1. Summary of significant accounting policies - continued

1.18 Current and deferred tax - continued

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax arises on temporary differences on non-current assets, provisions, trading losses and investment tax credits.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised upon delivery of products or performance of services, and is stated net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.20 Borrowing costs

Borrowing costs are recognised in profit or loss as incurred.

1. Summary of significant accounting policies - continued

1.21 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and the company's financial statements in the period in which the dividends are approved for distribution.

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign currency transactions arise when the company buys or sells goods or services of which are denominated in a foreign currency, borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency. As at year-end, the Group has receivables and cash balances amounting to €348,438 (2018: €1,145,103) denominated in Egyptian pound and €52,541 (2018: €344,132) denominated in Israeli Shekel as a result of an operational contractual agreement. These assets denominated in foreign currency are current in nature and are expected to be recovered in the next twelve months.

(ii) Cash flow interest rate risk

As the Group has no significant variable interest-bearing assets, the Group's income and operating cash flows are not dependent of changes in market interest rates. The Group has interest bearing assets from parent related parties that carry a fixed rate of interest. As at 31 December 2019, the Group was exposed to bank borrowings issued at variable rates. The Group also has bond borrowings carrying a fixed rate of interest (note 13). Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group's exposure to credit risk is analysed as follows:

	Group	
	2019	2018
	€	€
Carrying amounts		
Trade receivables - net	**4,110,691**	5,029,893
Amounts due from parent	**902,933**	860,461
Other receivables	**615,105**	298,226
Indirect taxation	**190,196**	409,461
Cash and cash equivalents (Note 10)	**1,030,097**	1,235,645
	6,849,022	7,833,686

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount. The Group does not hold any collateral as security in this respect.

The Group banks with local financial institutions with high quality standing or rating. Bank balances denominated in Egyptian pound are held with a foreign financial institution.

Financial assets which potentially subject the Group to concentrations of credit risk are trade receivables. This is due to the fact that the Group's trade receivables are almost entirely made up of a limited number of major customers. The Group has policies in place to ensure that sales are made to customers with a proven credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

The Group manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the end of the reporting period.

The Group had impaired balances of €20,127 at 31 December 2019 (2018: €Nil). The Group does not hold any collateral as security for the impaired assets or past due but not impaired debts.

The Group's receivables include amounts due from parent (refer to note 9). The Group's treasury monitors related party credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of all the related parties taking into account financial position, performance and other factors. An amount of €345,212 (2018: €345,212) owed by related parties are guaranteed by the ultimate controlling party and after taking cognisance of the related party relationship management does not expect any losses from non-performance or default.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and interest-bearing borrowings (refer to notes 14 and 13 respectively). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The following tables analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2019	€	€	€	€	€
Unsecured bonds	15,000,000	20,040,000	720,000	2,880,000	16,440,000
Borrowings	5,692,020	6,988,850	774,489	3,812,485	2,401,876
Bank overdraft	2,037,243	2,037,243	2,037,243	-	-
Trade and other payables	7,653,694	7,653,694	7,653,694	-	-
	30,382,957	**36,719,787**	**11,185,426**	**6,692,485**	**18,841,876**

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2018					
Unsecured bonds	15,000,000	20,760,000	720,000	2,880,000	17,160,000
Borrowings	3,759,319	4,603,263	421,973	2,855,892	1,325,398
Bank overdraft	1,688,821	1,688,821	1,688,821	-	-
Trade and other payables	8,195,236	8,195,236	8,195,236	-	-
	28,643,376	**35,247,320**	**11,026,030**	**5,735,892**	**18,485,398**

2.2 Fair values of financial instruments

At 31 December 2019 and 2018, the carrying amounts of cash at bank, trade receivables, trade payables and accrued expenses approximated their fair values in view of the nature of the instruments or their short-term maturity.

3. Intangible assets

Group	Courses development costs €	Licenses €	Total €
At 1 January 2018			
Cost	101,466	725,000	826,466
Accumulated amortisation	(20,293)	-	(20,293)
Net book amount	81,173	725,000	806,173
Year ended 31 December 2018			
Opening net book amount	81,173	725,000	806,173
Additions	11,293	-	11,293
Amortisation	(21,423)	-	(21,423)
Closing net book amount	71,043	725,000	796,043
At 31 December 2018			
Cost	112,759	725,000	837,759
Accumulated depreciation	(41,716)	-	(41,716)
Net book amount	71,043	725,000	796,043
Year ended 31 December 2019			
Opening net book amount	71,043	725,000	796,043
Amortisation	(21,423)	-	(21,423)
Closing net book amount	**49,620**	**725,000**	**774,620**
At 31 December 2019			
Cost	112,759	725,000	837,759
Accumulated depreciation	(63,139)	-	(63,139)
Net book amount	**49,620**	**725,000**	**774,620**

Licences relate to payments made for the acquisition of a petrol station licence. These intangible assets are not commissioned and are not being amortised in accordance with the policies set out in accounting policy 1.4.

4. Property, plant and equipment

Group	Land and buildings €	Assets under construction €	Plant and machinery €	Furniture and fittings €	Motor vehicles €	Total €
At 1 January 2018						
Cost	14,030,701	2,554,581	2,664,101	863,917	723,025	20,836,325
Accumulated depreciation	(270,778)	-	(1,075,062)	(479,574)	(348,432)	(2,173,846)
Net book amount	13,759,923	2,554,581	1,589,039	384,343	374,593	18,662,479
Year ended 31 December 2018						
Opening net book amount	13,759,923	2,554,581	1,589,039	384,343	374,593	18,662,479
Additions	3,692,759	2,468,042	281,665	187,662	-	6,630,128
Depreciation charge	(253,508)	-	(342,245)	(109,389)	(98,540)	(803,682)
Closing net book amount	17,199,174	5,022,623	1,528,459	462,616	276,053	24,488,925
At 31 December 2018						
Cost	17,723,460	5,022,623	2,945,766	1,051,579	723,025	27,466,453
Accumulated depreciation	(524,286)	-	(1,417,307)	(588,963)	(446,972)	(2,977,528)
Net book amount	17,199,174	5,022,623	1,528,459	462,616	276,053	24,488,925
Year ended 31 December 2019						
Opening net book amount	17,199,174	5,022,623	1,528,459	462,616	276,053	24,488,925
Additions	2,824,347	798,132	854,534	66,403	24,600	4,568,016
Transfer to other receivables	(140,342)	-	-	-	-	(140,342)
Commissioned assets	-	(295,583)	295,583	-	-	-
Depreciation charge	(287,839)	-	(473,067)	(105,080)	(103,459)	(969,445)
Closing net book amount	**19,595,340**	**5,525,172**	**2,205,509**	**423,939**	**197,194**	**27,947,154**
At 31 December 2019						
Cost	20,407,465	5,525,172	4,095,883	1,117,982	747,625	31,894,127
Accumulated depreciation	(812,125)	-	(1,890,374)	(694,043)	(550,431)	(3,946,973)
Net book amount	**19,595,340**	**5,525,172**	**2,205,509**	**423,939**	**197,194**	**27,947,154**

The improvement to premises includes capitalised labour costs of €402,961 (2018: €598,824).

In 2016, the Group acquired land measuring circa 170,000 square meters on a title of temporary emphyteusis grant for 65 years through a successful competitive tender bidding process. The infrastructural works being carried out by the Group, which include dredging and construction works, will significantly enhance the value of the land, as well as increase the Group's revenues as a result of enhancing its ability to attract business. The directors therefore expect that the value of the land should, subject to these expectations being met, increase significantly. Nevertheless, for the time being, they consider it appropriate to measure the land in the financial statements at its historical cost, which comprises preliminary costs, capitalised ground rents due on uncommissioned land and the cost of the infrastructural works being carried out. The directors will continue to assess the value of the land on an ongoing basis, with particular reference made to the level of business attracted as the works are completed.

As at 31 December 2019, assets amounting to €5,525,172 (2018: €5,022,623) have not been brought into use and are therefore not being depreciated. These are classified as assets under construction.

5. Investment property

Company	**Leasehold land and improvements €**
Year ended 31 December 2018	
Opening net book amount	3,278,267
Additions	1,864,591
Depreciation charge	(37,475)
Closing net book amount	5,105,383
At 31 December 2018	
Cost	5,184,881
Accumulated depreciation	(79,498)
Net book amount	5,105,383
Year ended 31 December 2019	
Opening net book amount	5,105,383
Additions	840,248
Depreciation charge	(37,475)
Closing net book amount	**5,908,156**
At 31 December 2019	
Cost	6,025,129
Accumulated depreciation	(116,973)
Net book amount	**5,908,156**

This property is leased out to a subsidiary of the Company and is disclosed in the Group financial statements as property, plant and equipment (note 4).

6. Investments in subsidiaries

Company	**2019 €**	2018 €
Year ended 31 December		
Opening net book amount	**917,202**	568,941
Additions	**-**	348,800
Disposals	**-**	(539)
Provision for impairment	**(50,000)**	-
Closing net book amount	**867,202**	917,202
At 31 December		
Cost	**917,202**	917,202
Accumulated provision for impairment	**(50,000)**	-
Net book amount	**867,202**	917,202

6. Investments in subsidiaries - continued

The principal subsidiaries at 31 December is shown below:

	Registered office	Class of shares held	Percentage of shares held 2019 %	2018 %
MMH People Limited	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**99.99**	99.99
MMH Malta Limited	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**99.99**	99.99
Abel Energy Limited	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**99.99**	99.99
MMH Academy Limited	Unit 22B Industrial Estate San Gwann	Ordinary 'A' shares	**99.99**	99.99
Mulberry Insurance Brokers Limited	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**60**	60
Mediterranean Maritime Hub Finance plc	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**100**	100
Mainti Sea Support Limited	Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa	Ordinary 'A' shares	**55**	55

7. Investment in associate

	Group & Company 2019 €	2018 €
Year ended 31 December		
Opening net book amount	**-**	-
Additions	**10,000**	-
Closing net book amount	**10,000**	-
At 31 December		
Cost and net book amount	**10,000**	-

The associate as at 31 December is as shown below:

Associates	Registered office	Class of shares held	Percentage of shares held 2019	2018
OG Med Company Ltd	Mediterranean Maritime Hub Head Office, Xatt il-Mollijiet Marsa, MRS 1152, Malta	Ordinary shares	**50%**	-

The associate was incorporated on 10 October 2019 and has not traded until the financial year end.

8. Inventories

	Group 2019 €	2018 €
Finished goods	**22,040**	118,613
Work-in-progress	**183,605**	334,433
	205,645	453,046

9. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Amounts due from parent	**902,933**	860,461	**-**	-
Amounts due from subsidiaries	**-**	-	**7,028,608**	5,814,158
	902,933	860,461	**7,028,608**	5,814,158
Current				
Trade receivables - gross	**4,130,818**	5,029,893	**-**	-
Less: provision for impairment of receivables	**(20,127)**	-	**-**	-
Trade receivables - net	**4,110,691**	5,029,893	**-**	-
Other receivables	**615,105**	298,226	**5,890**	5,790
Indirect taxation	**190,196**	409,461	**-**	1,977
Prepayments and accrued income	**684,375**	274,618	**595,445**	179,385
	5,600,367	6,012,198	**601,335**	187,152
Total trade and other receivables	**6,503,300**	6,872,659	**7,629,943**	6,001,310

The amounts due from subsidiaries are unsecured, interest free and have no fixed date of repayment, but are not expected to be received in the next twelve months. Amounts due from parent totalling €345,212 (2018: €345,212) are unsecured, carry interest at 5% and are repayable in 2026.

Movements in non-current trade and other receivables relate to advances made by the Group to the parent and net advances received by the Company from its subsidiaries.

10. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**1,030,097**	1,235,645	**1,212**	102,550
Bank overdraft	**(2,037,243)**	(1,688,821)	**(2,037,243)**	(1,688,821)
	(1,007,146)	(453,176)	**(2,036,031)**	(1,586,271)

11. Share capital

	Group & Company	
	2019	2018
	€	€
Authorised, issued, called-up and fully paid		
500,000 ordinary shares class A of €1 each	**500,000**	500,000
500,000 ordinary shares class B of €1 each	**500,000**	500,000
	1,000,000	1,000,000

'A' class and 'B' class shares shall each be entitled to appoint up to three members to the Board of Directors. All ordinary shares, whatever the letter by which they are denominated shall rank *pari passu* and each share should give the right to one vote.

12. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2018: 35%).

The movement on the deferred tax account is as follows:

	Group	
	2019	2018
	€	€
At beginning of year	**338,313**	407,002
Recognised directly in profit or loss		
Deferred tax charge for the year (Note 23)	**(1,782)**	(68,689)
At end of year	**336,531**	338,313

The balance at 31 December represents:

	2019	2018
	€	€
Temporary differences arising on depreciation of property, plant and equipment	**(677,506)**	(484,889)
Temporary differences on unutilised capital allowances	**584,539**	486,070
Temporary differences arising on trading tax losses	**116,700**	24,334
Temporary differences on unutilised tax credits	**312,798**	312,798
Net deferred tax assets	**336,531**	338,313

At 31 December 2019, the Group had unrecognised deferred tax assets of €1,041,584 (2018: €392,634) arising from unabsorbed capital allowances, unutilised trading tax losses and temporary differences on property, plant and equipment that have not been recognised in the financial statements due to the uncertainty of the tax benefits through future taxable profits, related to the specific group undertaking and its activity.

13. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
15,000,000 4.8% bonds 2026	**14,741,187**	14,709,896	**-**	-
Bank loans	**4,907,937**	2,912,346	**3,501,630**	1,749,362
Loan from subsidiary	**-**	-	**1,800,000**	1,800,000
Other borrowings	**425,000**	425,000	**-**	-
Total non-current	**20,074,124**	18,047,242	**5,301,630**	3,549,362
Current				
Bank loans	**359,083**	421,973	**359,083**	421,973
Bank overdraft	**2,037,243**	1,688,821	**2,037,243**	1,688,821
Total current	**2,396,326**	2,110,794	**2,396,326**	2,110,794
Total borrowings	**22,470,450**	20,158,036	**7,697,956**	5,660,156

At 31 December 2019, the Group and Company had an overdraft facility of €2,000,000 (2018: €2,000,000).

At 31 December 2019, the Group and Company have a bank loan facility of €6,365,002 (2018: €6,770,120) which is secured by a guarantee in the form of a grant from Malta Enterprise and a guarantee over properties owned by the ultimate shareholder.

The loan from subsidiary is unsecured, carries interest at 5.95% and is repayable in 2026.

The contracted undiscounted cash flows of the non-current bank loans analysed into relevant maturity groupings based on the remaining period at the reporting date to the maturity date is disclosed in note 2.

The unsecured bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	Group	
	2019	2018
	€	€
Face value		
15,000,000 4.80% bonds 2026	**15,000,000**	15,000,000
	15,000,000	15,000,000
Issue costs	**(354,188)**	(354,188)
Accumulated amortisation	**95,375**	64,084
Closing net book amount	**(258,813)**	(290,104)
Amortised cost at 31 December	**14,741,187**	14,709,896

13. Borrowings - continued

By virtue of an offering memorandum dated 16 September 2016, the Group issued €15,000,000 bonds with a face value of €1,000 each. The bond's interest is payable annually in arrears on 14 October. The bonds are redeemable at par and are due for redemption on 14 October 2026 but the issuer may at any time purchase Bonds in the open market or otherwise at any price. The bonds are guaranteed by MMH Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 19 October 2016. The quoted market price as at 31 December 2019 for the bonds was €102 (2018: €104). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

The interest rate exposure of the borrowings of the Group was as follows:

	Group	
	2019	2018
Total borrowings:		
Unsecured bonds	**4.80%**	4.80%
Bank loans	**4.20%**	4.20%
Bank overdraft	**5.00%**	5.00%

This note provides information about the contractual terms of the Group's borrowings. For more information about the Group's exposure to interest rate and liquidity risk, refer to note 2.

14. Trade and other payables

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Amounts due to subsidiaries	**-**	-	**529,046**	416,703
Amounts due to related parties	**-**	-	**1,171,929**	1,171,929
	-	-	**1,700,975**	1,588,632
Current				
Trade and capital payables	**3,253,729**	4,988,542	**374,047**	1,539,261
Indirect taxation	**-**	-	**135,658**	-
Accruals and deferred income	**4,399,965**	3,206,694	**3,520,833**	2,287,452
	7,653,694	8,195,236	**4,030,538**	3,826,713
Total trade and other payables	**7,653,694**	8,195,236	**5,731,513**	5,415,345

In the Company's books, the amounts due to subsidiaries and related parties are unsecured, interest free and have no fixed date of repayment, but are not expected to be repaid within the next twelve months.

15. Grants designated for specific purposes

	Group	
	2019	2018
	€	€
Year ended 31 December		
Opening net book amount	**1,747,871**	1,706,039
Allocation of grant for the year	**384,500**	87,740
Amortisation for the year	**(41,447)**	(45,908)
Closing net book amount	**2,090,924**	1,747,871

	2019	2018
	€	€
Disclosed as:		
Current	**42,980**	42,980
Non-current	**2,047,944**	1,704,891
	2,090,924	1,747,871

As at 31 December 2019, grants amounting to €2,090,924 (2018: €1,747,871) relating to funds advanced directly by the Government of Malta through its agent Malta Enterprise for the co-financing its capital expenditure of the property, plant and equipment. These funds are treated as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. The impact of these grants on the current year's results is disclosed in note 17.

16. Revenue

All the Group's revenue was derived from the provision of specialised services, as well as related ancillary services, to the marine and oil and gas industry in the local market of Malta together with the provision of other ancillary services.

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Rendering of services	**17,347,067**	14,469,908	**-**	-
Rental income	**-**	-	**1,653,900**	1,013,378
	17,347,067	14,469,908	**1,653,900**	1,013,378

Rental income is derived by the Company from a fully owned subsidiary on the charging of rent of the commissioned property owned by the Company classified as investment property (note 5).

17. Profit/(loss)

Profit/(loss) is stated after charging/(crediting) the following:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Amortisation of intangible assets (Note 3)	**21,423**	21,423	**-**	-
Depreciation on property, plant and equipment (Note 4)	**969,445**	803,682	**-**	-
Depreciation of investment property (Note 5)	**-**	-	**37,475**	37,475
Ground rent payable	**1,287,972**	713,378	**1,233,900**	713,378
Amortisation of grant (Note 15)	**(41,447)**	(45,908)	**-**	-
Movement in provision for impairment of receivables	**20,127**	(95,673)	**-**	-
Bad debts	**216,557**	95,673	**-**	-
Employee benefit expense (Note 18)	**2,825,171**	3,028,948	**-**	-
Movement in provision for impairment of investment in subsidiary	**-**	-	**50,000**	-

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	Group	
	2019	2018
	€	€
Annual statutory audit	**50,500**	46,700
Tax compliance services	**4,840**	2,400
Other non-audit services	**-**	10,500
	55,340	59,600

18. Employee benefit expense

	Group	
	2019	2018
	€	€
Wages and salaries	**3,043,738**	3,417,210
Social security costs	**178,852**	204,256
Maternity fund contributions	**5,542**	6,306
	3,228,132	3,627,772
Capitalised payroll costs	**(402,961)**	(598,824)
	2,825,171	3,028,948

18. Employee benefit expense - continued

The average number of persons employed by the Group during the financial reporting period was:

	Group	
	2019	2018
Direct and administrative	**110**	117

19. Other income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Compensation income from Government agencies for use of property	**2,735,821**	-	**-**	-
Other income	**38,514**	42,845	**-**	11,873
	2,774,335	42,845	**-**	11,873

20. Other expenses

	Group	
	2019	2018
	€	€
Occupational fee for use of property	**1,005,297**	-

21. Investment income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Bank interest receivable	**1,559**	1,611	**760**	802
Interest receivable from parent	**17,261**	17,261	**-**	-
Dividend receivable from subsidiary	**-**	-	**-**	769,230
	18,820	18,872	**760**	770,032

22. Finance costs

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Bond interest	**720,000**	720,000	**-**	-
Amortisation of bond issue costs	**48,234**	29,771	**-**	-
Interest payable to subsidiary	**-**	-	**106,806**	107,100
Bank interest	**284,132**	179,464	**213,380**	107,383
	1,052,366	929,235	**320,186**	214,483

23. Tax (credit)/expense

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Current tax (credit)/expense	**(2,626)**	7,843	**114**	269,350
Group relief	**-**	-	**5,535**	-
Deferred tax charge (Note 12)	**1,782**	68,689	**-**	-
Tax (credit)/expense	**(844)**	76,532	**5,649**	269,350

The tax on the Group and the Company's results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Profit/(loss) before tax	**567,658**	(935,697)	**(34,489)**	734,085
Tax at 35%	**198,680**	(327,494)	**(12,071)**	256,930
Tax effect of:				
Expenses not deductible for tax purposes	**127,487**	80,523	**47,272**	12,844
Rent maintenance allowance	**(29,904)**	-	**(29,400)**	-
Unrecognised deferred tax	**668,185**	340,090	**-**	-
Under provision of tax in prior year	**(7,603)**	(263)	**-**	(263)
Income subject to reduced rates of tax	**(152)**	(16,236)	**(152)**	(161)
Income not subject to tax	**(957,537)**	-	**-**	-
Other	**-**	(88)	**-**	-
Tax (credit)/expense	**(844)**	76,532	**5,649**	269,350

24. Directors' emoluments

	Group	
	2019	2018
	€	€
Salaries and other emoluments	**320,685**	309,822

The directors of the Company are not remunerated by the Company but by MMH Malta Limited (the principal operating company of the Group). Their emoluments relate to all the functions are roles covered across the Group. All the directors of the Company sit on the board of this subsidiary.

25. Cash from/(used in) operations

Reconciliation of operating profit/(loss) to cash from/(used in) operations:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit/(loss)	**1,601,204**	(25,334)	**284,937**	178,536
Adjustments for:				
Amortisation of intangible assets (Note 3)	**21,423**	21,423	**-**	-
Depreciation of property, plant and equipment (Note 4)	**969,445**	803,682	**-**	-
Depreciation of investment property (Note 5)	**-**	-	**37,475**	37,475
Provision for impairment receivables	**20,127**	(95,673)	**-**	-
Amortisation of grant (Note 15)	**(41,447)**	(45,908)	**-**	-
Movement in foreign exchange reserve	**33,714**	(5,397)	**-**	-
Provision for impairment of investment in subsidiary	**-**	-	**50,000**	-
Changes in working capital:				
Inventories	**247,401**	(6,412)	**-**	-
Trade and other receivables	**489,574**	832,821	**(1,634,168)**	(4,279,661)
Trade and other payables	**(541,542)**	1,033,537	**316,168**	2,329,492
Cash from/(used in) operations	**2,799,899**	2,512,739	**(945,588)**	(1,734,158)

26. Commitments

Capital commitments

	Group	
	2019	2018
	€	€
Authorised and contracted for	**-**	978,212

27. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The company has control over all the companies forming part of the MMH Group of Companies. All companies forming part of this Group are considered as related parties. Trading transactions between these companies include items which are normally encountered in a Group context. The Group is ultimately fully owned by Paul Abela, through an immediate parent, Elosolar Company Limited. Both parties are therefore considered to be related parties. Companies owned directly by Paul Abela are also considered to be related parties.

Year-end balances with related parties are disclosed in notes 9 and 14 to the financial statements.

The following transactions were carried out with related parties:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Rental income from subsidiary	**-**	-	**1,260,767**	1,013,378
Dividend income from subsidiary	**-**	-	**-**	769,230
Interest payable to subsidiary	**-**	-	**(106,806)**	(107,100)
Interest income from parent	**17,261**	17,261	**-**	-

Key management personnel compensation including directors' remuneration is disclosed within note 18 and amounts to €419,473 (2018: €321,100). Directors' emoluments are disclosed separately in note 24.

28. Events subsequent to the end of the reporting period

The present COVID-19 pandemic with its underlying uncertainties has hit most industries in Malta and abroad. The industrial and commercial sectors which are serviced by the Group are no exception.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the company and group reported within these financial statements for the year ended 31 December 2019 have not been impacted by these events.

Notwithstanding the crisis being caused by the pandemic, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a significant effect on the Group's operations during 2020 and on the financial results expected to be registered during the year with material adverse impacts on the profitability, cash flows and financial position of the company. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived. As a result, the future is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

The Group has carried out an assessment of the potential impact that the COVID-19 pandemic will have on its operations, focusing primarily on the coming year.

28. Events subsequent to the end of the reporting period - continued

Oil & Gas Operations

As stated above, the price of crude oil has nosedived and crashed to unprecedented levels, causing the market to become totally volatile. The direct consequence of this is that most offshore oil exploration and drilling activities are now deemed unsustainable and have been shut down. In fact, international oil companies have carried out extensive cuts in their exploration budgets. The Group has seen all its clients in this industry substantially reducing personnel on drilling platforms and controlling personnel movements across their facilities. These measures have drastically reduced the revenue generated by the personnel recruitment and logistics functions within the Group.

Commercial Marine Activities

Berthing facilities at the Hub are currently on high demand since most commercial marine vessels operating in the Oil & Gas sector around Malta have been put off hire. In this regard, it is envisaged that berthing and berthing support services will not be affected but will remain in high demand until the pandemic eases off. Nevertheless, with the restrictions currently in place, technical personnel are not allowed to board these vessels and this heavily impacts the Group's capability to deliver its services, thus effecting budgeted revenues.

VesselCare Activities

VesselCare activities are currently operating at the budgeted levels. However, a slowdown in bookings has been observed, highlighting that the peak season for such an activity may be shortened by around three weeks.

Other operational considerations

The Group has taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus. These include the following:

- A COVID-19 committee has been set up to assess the impact of the situation on Group operations. This committee meets daily and issues instructions as required.
- Group employees have been asked not to use public transport. If they do, they will not be allowed on the premises.
- Group employees living with front-liners, such as healthcare workers, have been requested to seek alternative accommodation or else not to report for work.
- Living quarters within the Hub have been arranged and set up for use by key personnel in case of the implementation of a national or partial lockdown.
- All personnel accessing the Hub are being tested for body temperature.
- Various points across the Hub have been equipped with self-hygiene products and related signage has been set up in strategic positions.
- Subcontractors accessing the Hub require a permit and enjoy restricted entry. All subcontractor employees are also tested for body temperature.
- All personnel working on site are provided with additional PPE.
- The introduction of teleworking for certain office employees has been put in place, where necessary.

28. Events subsequent to the end of the reporting period - continued

Group cash flow projections

The Group has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis. Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions which are deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements.

The principal assumptions being the following:

- That the pandemic will last six months from April to September 2020 and that business will pick up slowly thereafter.
- That the Group will aim to recover at least 50% of the personnel supply and logistics revenue by mid-October, 2020.
- That no capital expenditure will be incurred in the next 12 months.
- That arrangements are made for ground-rent to be paid in monthly instalments.
- That wages and salaries, especially those of Management, will be reduced across the board during this six-month period.
- That the Group obtains a six-month moratorium on bank loan repayments.
- That a full country lockdown is not introduced. Clearly, if this happens then the forecasts may be negatively affected, depending on the duration of the lockdown.

These cash flow forecasts indicate that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. Included in these commitments is the payment of Bond interest due in October 2020.

The cash flow forecast also shows that the Group does not have a strong buffer that could cater for any adverse divergence from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub. At the date of approving these financial statements the Group did not have any unutilised bank facilities. Having said that, further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Group is confident that, with the COVID-19-related Government assistance in place, such financing may be easier to obtain. Furthermore, other measures are being considered to strengthen the Group's ability to realise the Hub's potential as soon as possible once the pandemic is over.

29. Statutory information

MMH Holdings Limited is a limited liability company and is incorporated in Malta.

The immediate parent company of MMH Holdings Limited is Elesolar Company Limited, a company registered in Malta, with its registered address at Mediterranean Maritime Hub Building, Xatt il-Mollijiet, Marsa. This company is fully owned by Paul Abela.

The ultimate controlling party of MMH Holdings Limited is Mr. Paul Abela.

30. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.