

MEDITERRANEAN MARITIME
HUB FINANCE p.l.c.

Annual Report and Financial Statements
31 December 2016

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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 2016

Incorporation

The company was incorporated on 26 July 2016 in terms of the Maltese Companies Act, 1995. Accordingly, these financial statements reflect the period from 26 July 2016 to 31 December 2016.

Directors, Officers & Other Information

Directors: Mr Paul Abela (Chairman)
Dr Michael Borg Costanzi
Mr Lino Casapinta
Mr Raymond Ciantar
Mr Victor Denaro [appointed on 09 September, 2016]
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 (formerly known as the Ablecare Oilfield Services Group) (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 main business activity of the Company has been the issue of bonds to the public that were fully subscribed, following which the Company advanced the proceeds to two companies within the Group to finance the development of a site measuring almost 170,000m² 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/Hub'). Following a public deed published on 1st August, 2016, the Guarantor (MMH Holdings Limited) took full possession of this Site which is currently under development.

The Company recognises that the key risk and uncertainty of its business is that of the potential non-fulfilment by the borrowers (that is, the two Group members) of their obligations. And due to the borrowers' operations, this risk is impacted by the performance of 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 2016 and Outlook for 2017

MMH Holdings Limited (formerly Ablecare Oilfield Services Holdings Limited) is the guarantor of the Company's bond and is also the parent company of the Group. As such, its performance is dependent on the performance of the Group as a whole.

The importance of the Mediterranean Maritime Hub to the Group necessitated that the Group focuses primarily on the development of Hub. This was in fact the main business activity of the Group in 2016 and is still ongoing.

The commencement of the development of the Site was delayed due to the issues that were encountered in the course of its transfer to the Group. Delays were also encountered in the initiation of key infrastructural works that necessitated permits and authorisations from various entities.

In parallel with the development of the Hub, the Group has been pursuing efforts to market the Hub internationally, recognising the current limitations of the oil and gas industry which are still facing a challenging period. However, interest in the Hub is being expressed by an increasing number of companies some of which command innovative operational concepts and which are being carefully evaluated.

The offshore oil and gas industry has continued to go through a challenging period throughout 2016, which sees the industry as a whole having to transform itself in order to meet the rapidly-changing energy requirements of the international market. As these challenges grow, the opportunities that they present grow in tandem.

Directors' report - continued

Guarantor's Performance for 2016 and Outlook for 2017 - continued

Operators, service companies and major equipment manufacturers are beginning to establish master service agreements (MSAs) with potential suppliers. They are also looking carefully to rationalize their operations into better strategically located and efficient regional hubs. The Group is seeking to establish a broad range of MSAs with key potential client companies, as well as strategic alliance partnerships with key supply chain entities. The location, site size and facilities of the Mediterranean Maritime Hub offers clients with unique regional operational flexibility. This applies to the oil and gas industry as well as to companies within the diverse maritime industries.

In 2016, the Group generated a loss of €536,614 (2015 – profit of €430,403) after accounting for finance costs and deferred tax. The Group's net assets at the end of the accounting period amounted to €4,463,486 (2015 – €5,023,543). These figures may be seen in the consolidated financial statements of the Guarantor for the year ended 31 December 2016.

The results have been considerably impacted by the significant costs incurred on the development of the Hub which has so far not generated any material revenue. The groundrent incurred on the Hub in 2016 alone amounted to €849,260, whilst the Site was still in development stage. The results were also impacted by the increase in the costs involved to improve the management team in its transition to meet industry requirements. However, the Site is now in a better position to start attracting relevant business activity. In 2017, the dredging of the seabed immediately abutting Quay 5 and the fairway has now been completed, and now affords sufficient draft for a wider range of vessels to enter the Site and be serviced there. This enables the Group to start attracting projects that formerly could not be admitted into the Site due to the physical restrictions that existed. The hard paving on a large part of the Site and the rehabilitation of Shed 4, which will be used as a maintenance shed are now also complete.

Results and Dividends

The results for the year ended 31 December 2016 are shown in the income statement on page 17 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 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.

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 2016, 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.

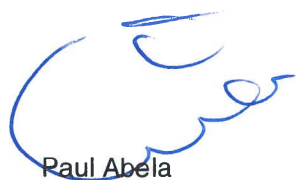
Going Concern Statement

Pursuant to Listing Rule 5.62, the directors declare that after making enquiries, at the time of approving the financial statements, they have determined that it is reasonable to assume that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

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
Director



Raymond Gantar
Director

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

Michael Zammit Maempel
Company secretary

28 April 2017

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 Mediterranean Maritime Hub Finance p.l.c. (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 5.97.7.

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 its 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 2016, 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 (appointed on 09 September, 2016) serve as non-executive and independent directors since they are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement.

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 which were then discussed during the Board meetings held during 2016.

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 in issue;
- 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, 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 Board established the Audit Committee, which 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 on the Board. 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 three meetings in the fourth quarter of 2016. 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. Moreover, 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.

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.

Corporate governance - Statement of compliance - continued

Remuneration Statement

During the year under review, the directors received emoluments amounting in total to €23,333 (which represents a pro rata payment on an annual aggregate remuneration of €50,000).

Approved by the Board of Directors and signed on its behalf on 28 April, 2017 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 2016, and of the company's financial performance and cash flows for the period 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).

What we have audited

Mediterranean Maritime Hub Finance p.l.c.'s financial statements set out on pages 16 to 33 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period 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 the IESBA Code.

Independent auditor's report - continued

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

Our audit approach

Overview



- Overall materiality: €77,000, 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 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.



Independent auditor's report - continued

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

Overall materiality	€77,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark since the company is in its first period of operations, during which the company issued corporate bonds which were in turn loaned to the parent company and a fellow subsidiary. These loans constitute in principal the total assets of the company. We chose 0.5%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €4,000 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
<i>Recoverability of loans issued to parent company and fellow subsidiary</i> 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 2016 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 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.



Independent auditor's report - continued

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

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 include 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 period 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.



Independent auditor's report - continued

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

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, future events or conditions may cause the company to cease to continue as a going concern.
- 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.



Independent auditor's report – continued

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

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.

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 5 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



Independent auditor's report - continued

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

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.
 - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- 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.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Stefan Bonello', is written over the printed name and title.

Stefan Bonello
Partner

28 April 2017

Statement of financial position

	Notes	At 31 31 December 2016 €
ASSETS		
Non-current assets		
Loans and receivables	4	14,750,000
Total non-current assets		14,750,000
Current assets		
Trade and other receivables	5	206,783
Cash and cash equivalents	6	119,386
Total current assets		326,169
Total assets		15,076,169
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	7	250,000
Retained earnings		6,462
Total equity		256,462
Non-current liabilities		
Borrowings	8	14,653,191
Total non-current liabilities		14,653,191
Current liabilities		
Trade and other payables	9	166,516
Total current liabilities		166,516
Total liabilities		14,819,707
Total equity and liabilities		15,076,169

The notes on pages 20 to 33 are an integral part of these financial statements.

The financial statements on pages 16 to 33 were authorised for issue by the board of directors on 28 April 2017 and were signed on its behalf by:



Paul Abela
Director



Raymond Ciantar
Director

Statement of comprehensive income

	Notes	Period from 26 July to 31 December 2016 €
Finance income	10	206,783
Finance costs	11	(163,215)
Net interest income		43,568
Administrative expenses	12	(33,626)
Profit before tax		9,942
Tax expense	13	(3,480)
Profit for the period - total comprehensive income		6,462
Earnings per share (cents)	15	0.03

The notes on pages 20 to 33 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
As at 26 July 2016		-	-	-
Issue of share capital	7	250,000	-	250,000
Comprehensive income				
Profit for the period - total comprehensive income		-	6,462	6,462
Balance at 31 December 2016		250,000	6,462	256,462

The notes on pages 20 to 33 are an integral part of these financial statements.

Statement of cash flows

	Notes	Period from 26 July to 31 December 2016 €
Cash flows used in operating activities		
Cash used in operations	16	(26,426)
Net cash used in operating activities		(26,426)
Cash flows used in investing activities		
Proceeds of loans and receivables from fellow subsidiaries		(14,750,000)
Net cash used in investing activities		(14,750,000)
Cash flows from financing activities		
Issue of share capital		250,000
Issue of €15,000,000 4.8% bonds		15,000,000
Bond issue costs		(354,188)
Net cash from financing activities		14,895,812
Net movement in cash and cash equivalents		119,386
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	6	119,386

The notes on pages 20 to 33 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 Companies Act, 1995. They have been prepared under the historical cost convention.

The Company was incorporated on 26 July 2016 and accordingly the statements of financial position, comprehensive income, changes in equity and cash flows and the accompanying notes have been prepared for the financial period from the date of incorporation to 31 December 2016.

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 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 but are mandatory for the company's accounting periods beginning after 26 July 2016. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The company is yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9, subject to endorsement by the EU, not later than the accounting period beginning on or after 1 January 2018.

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 prevailing at the dates of the transactions. 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.

1. Summary of significant accounting policies - continued

1.3 Financial assets

1.3.1 Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 company 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 company's loans and receivables comprise loans receivable, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.4 and 1.5).

1.3.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. 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 initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts 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.

1.3.3 Impairment

The company 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 company first assesses whether objective evidence of impairment exists. The criteria that the company 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.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

1.3.3 Impairment - 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.

1.4 Trade and other receivables

Trade receivables comprise amounts due from related parties 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 (Note 1.3.3). 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.

1.5 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 includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, are shown within borrowings in current liabilities in the statement of financial position.

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 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') under IAS 39. Financial liabilities not at fair value through profit or loss 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. Summary of significant accounting policies - continued

1.8 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.

1.9 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.

1.10 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. Summary of significant accounting policies - continued

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 collectibility is in doubt.

1.13 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

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 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 and receivables referred to above.

(a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, loans receivable from MMH Holdings Limited and its subsidiary. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 €
Loans receivable (Note 4)	14,750,000
Trade and other receivables (Note 5)	206,783
Cash and cash equivalents (Note 6)	119,386
	<u>15,076,169</u>

The company banks and invests only with local financial institutions or entities with high quality standing or rating. The company's receivables consist mainly of loans and receivables from its parent company and a fellow subsidiary and accordingly credit risk in this respect is limited.

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 and receivables and accordingly credit risk in this respect is limited.

2. Financial risk management - continued

2.1 Financial risk factors - continued

The audited financial statements of MMH Holdings Limited at 31 December 2016 disclose a borrowing ratio of 77%. This ratio expresses the guarantor's borrowings as a percentage of the aggregate net assets funded also by shareholders' equity. Borrowings are stated net of any funds made available for the redemption of such liabilities.

(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 table analyses 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 2016					
Unsecured bonds	15,000,000	22,200,000	720,000	2,880,000	18,600,000
Trade and other payables	166,516	166,516	166,516	-	-
	15,166,516	22,366,516	886,516	2,880,000	18,600,000

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 (Note 2.1).

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2016 the carrying amounts of receivables (net of impairment provisions 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 and receivables

	2016 €
Loans to parent company and fellow subsidiary	
At beginning of period	-
Additions	14,750,000
At end of period	<u>14,750,000</u>
At 31 December	
Cost and net book amount	<u>14,750,000</u>

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.

4. Loans and receivables - continued

Weighted average effective interest rate as at 31 December 2016:

	2016
Loans to parent company and fellow subsidiary	5.95%

The company's exposure to credit and interest rate risks related to investments is disclosed in Note 2. As at 31 December 2016, these financial assets were fully performing and hence do not contain impaired assets.

5. Trade and other receivables

	2016 €
Current	
Prepayments and accrued income	206,783

The company's exposure to credit and liquidity risk related to trade and other receivables is disclosed in Note 2.

6. Cash and cash equivalents

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

	2016 €
Cash and cash equivalents	119,386

7. Share capital

	2016 €
Authorised, issued and fully paid up	
250,000 ordinary shares of €1 each	250,000

8. Borrowings

	2016 €
Non-current	
15,000,000 4.80% unsecured bonds 2026	14,653,191

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:

	2016 €
Face value	
15,000,000 4.80% bonds 2026	15,000,000
	<u>15,000,000</u>
Issue costs	(354,188)
Accumulated amortisation	7,379
	<u>(346,809)</u>
Closing net book amount	
	<u>14,653,191</u>
Amortised cost at 31 December	

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

	2016 €
Total borrowings:	
At fixed rates	4.80%

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

	2016
Bonds 2026	4.80%

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.

8. Borrowings - continued

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 2016 for the bonds was €103.50. In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

9. Trade and other payables

	2016 €
Current	
Accruals and deferred income	163,036
Amounts owed to fellow subsidiary	3,480
	166,516

10. Finance income

	Period from 26 July to 31 December 2016 €
Interest on loans to parent and fellow subsidiary	206,783

11. Finance costs

	Period from 26 July to 31 December 2016 €
Coupon interest payable on bonds	155,836
Amortisation of bond issue costs	7,379
	163,215

12. Expenses by nature

Administrative expenses are classified by their nature as follows:

	Period from 26 July to 31 December 2016 €
Listing and related compliance costs	2,843
Directors' fees (Note 14)	23,333
Other expenses	7,450
	33,626

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2016 relate to the following:

	Period from 26 July to 31 December 2016 €
Annual statutory audit	7,000
Tax advisory and compliance services	200
	7,200

Advisory services amounting to €122,490 in relation to the issue of the bonds are included within the bond issue costs (Note 8).

13. Tax expense

	Period from 26 July to 31 December 2016 €
Current tax expense - Group relief	3,480

13. Tax expense - continued

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

	Period from 26 July to 31 December 2016 €
Profit before tax	9,942
Tax on profit at 35%	3,480
Tax expense	3,480

14. Directors' emoluments

	Period from 26 July to 31 December 2016 €
Directors' fees	23,333

15. Earnings per share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the period.

	2016
Net profit attributable to owners of the company (€)	6,462
Weighted average number of ordinary shares in issue (Note 7)	250,000
Earnings per share (€ cents)	0.03

16. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

	Period from 26 July to 31 December 2016 €
Profit before tax	9,942
Adjustment for:	
Amortisation of bond issue costs	7,379
Changes in working capital:	
Trade and other receivables	(206,783)
Trade and other payables	163,036
Cash used in operations	<u>(26,426)</u>

17. 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 party with whom transactions are entered into are MMH Malta Limited and MMH Holdings Limited, the guarantor of the borrowings (Note 4).

Other than the borrowings referred to in Note 4, the following are the transactions that were carried out with related parties:

	Period from 26 July to 31 December 2016 €
Income statement	
Finance income from parent and fellow subsidiary	<u>206,783</u>

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

Period end balances arising from related party transactions are disclosed in Notes 4 and 9 to 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.

