

MMH HOLDINGS LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2017

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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 2017.

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 28154

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

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

Review of the Business

Similarly to 2016, the principal focus and activity of the Group in 2017 has been 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 Company took full possession of this Site and leased the operational parts directly to MMH Malta Limited – which is a subsidiary company. The Site is currently under redevelopment and rehabilitation.

The Company recognises that the key risk and uncertainty of the business of the Group is chiefly that posed by the current 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.

Performance for 2017 and Outlook for 2018

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 this focus was carried on into 2017 and remains ongoing. Major works undertaken during 2017 include the completion of the dredging of the seabed at the fairway and at Quay 5; the rehabilitation of Shed 4 into a fully functional workshop complete with offices; the transformation of Shed 5 into a dangerous goods warehouse; the upgrading and embellishment of the main entrance to the Hub; a three-level parking area and the continuation of hard-paving works throughout the entire site. A total of €12 million were invested throughout the year bringing total investment in the Hub up to end 2017 to €18.7 million.

In 2017 the price of oil continued its upward trend reaching a value of just over USD60 a barrel by the end of year, yet the offshore oil and gas industry is still passing through a challenging period. Enquiries for the use of the Hub have increased; still, the oil servicing companies are not ready to commit unless they have secured drilling contracts in hand.

During the year the Group embarked on increasing its returns through additional revenue streams, where a degree of success was registered. A new business development team was set up and commenced its work in the latter part of 2017. It is envisaged that this drive should bear positive results by the middle of 2018.

Whilst still regarding 2017 as a difficult year amidst a challenging environment, the Group managed to increase its revenue to €15.7 million (2016: €12.6 million) and registered a small profit of €104,591 before tax (2016: loss of €634,093). The basic costs required to meet industry requirements continued to increase throughout 2017 although at a lower rate than 2016. These costs are still impacting the results of the Group as they are mostly of a fixed nature.

Directors' report - continued

Performance for 2017 and Outlook for 2018 - continued

The outlook for 2018 remains a somewhat positive one, in which the Group is expected to consolidate the results obtained in 2017 and make further inroads into its market both as more areas within the Mediterranean Maritime Hub become available for the use of its clients, and also as its wider scope of revenue streams start to bear results.

Events after balance sheet date

In January 2018, the Group and Company negotiated a new banking facility amounting to €2,600,000 to finance capital creditors and expenditure on the site.

On 11 January 2018, the Planning Authority approved the necessary permits to commence works on land on which the Group has a promise of sale agreement to utilise the intangible asset disclosed in note 3 to these financial statements.

Results and Dividends

The income statement for the year ended 31 December 2017 is set out on page 11 hereof. No interim dividend was declared or paid out during the year (2016: €Nil). No final dividend is being recommended by the Board of Directors.

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.

Directors' report - continued

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

25 April 2018



Mr. Raymond Ciantar
Director



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 2017, 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 9 to 40, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2017;
- 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 cash flow statements 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 the IESBA Code.



Independent auditor's report - continued

To the Shareholders of MMH Holdings Limited

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.

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.



Independent auditor's report - continued
To the Shareholders of MMH Holdings Limited

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.
- 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, future events or conditions may cause the Group or the Parent 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.
- 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.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta



Stefan Bonello
Partner

25 April 2018

Statements of financial position

		As at 31 December			
		Group		Company	
Notes	2017	2016	2017	2016	
	€	€	€	€	
ASSETS					
Non-current assets					
Intangible assets	3	806,173	809,155	-	-
Property, plant and equipment	4	18,662,479	7,417,403	-	-
Investment property	5	-	-	3,278,267	1,915,749
Financial assets:					
Investment in subsidiaries	6	-	-	568,941	568,941
Trade and other receivables	8	853,711	1,181,375	1,041,465	1,224,700
Deferred taxation	11	407,002	138,075	-	-
Total non-current assets		20,729,365	9,546,008	4,888,673	3,709,390
Current assets					
Inventories	7	446,634	56,122	-	-
Trade and other receivables	8	6,756,096	5,132,560	680,184	528,805
Cash and cash equivalents	9	1,343,882	8,196,303	103,302	279,400
Total current assets		8,546,612	13,384,985	783,486	808,205
Total assets		29,275,977	22,930,993	5,672,159	4,517,595

Statements of financial position - continued

		As at 31 December			
		Group		Company	
Notes	2017	2016	2017	2016	
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	500,000	500,000	500,000	500,000
Reporting currency conversion reserve		(86,596)	(71,628)	(295)	(295)
Other reserves		18,305	18,305	-	-
Retained earnings		4,305,357	3,978,921	62,518	36,496
		4,737,066	4,425,598	562,223	536,201
Non-controlling interest		46,923	37,888	-	-
Total equity		4,783,989	4,463,486	562,223	536,201
Non-current liabilities					
Borrowings	12	14,680,125	14,653,191	1,800,000	1,800,000
Trade and other payables	13	425,000	425,000	1,354,376	1,551,306
Grants designated for specific purposes	14	1,664,860	-	-	-
Total non-current liabilities		16,769,985	15,078,191	3,154,376	3,351,306
Current liabilities					
Borrowings	12	200,058	263,059	200,058	-
Trade and other payables	13	7,161,699	2,638,776	1,731,477	630,088
Grants designated for specific purposes	14	41,179	-	-	-
Current tax liabilities		319,067	487,481	24,025	-
Total current liabilities		7,722,003	3,389,316	1,955,560	630,088
Total liabilities		24,491,988	18,467,507	5,109,936	3,981,394
Total equity and liabilities		29,275,977	22,930,993	5,672,159	4,517,595

The notes on pages 15 to 40 are an integral part of these financial statements.

The financial statements on pages 9 to 40 were authorised for issue by the board on 25 April 2018 and were signed on its behalf by:



Mr. Paul Abela
Director



Mr. Raymond Ciantar
Director

Income statements

		Year ended 31 December			
		Group		Company	
Notes		2017	2016	2017	2016
		€	€	€	€
Revenue	15	15,733,451	12,624,691	792,614	849,260
Cost of sales	16	(12,544,049)	(10,984,560)	(672,614)	(849,260)
Gross profit		3,189,402	1,640,131	120,000	-
Distribution costs	16	(246,281)	(254,339)	-	-
Administrative expenses	16	(2,184,900)	(1,857,541)	(136,459)	(44,490)
Other income	18	82,332	97,526	750	-
Operating profit/(loss)		840,553	(374,223)	(15,709)	(44,490)
Finance income	19	19,411	5,913	238,634	121,648
Finance costs	20	(755,373)	(265,783)	(110,724)	(117,464)
Profit/(loss) before tax		104,591	(634,093)	112,201	(40,306)
Tax credit/(expense)	21	230,880	97,479	(86,179)	(247)
Profit/(loss) for the year		335,471	(536,614)	26,022	(40,553)
Attributable to:					
Equity holders		326,436	(534,502)	26,022	(40,553)
Non-controlling interest		9,035	(2,112)	-	-
		335,471	(536,614)	26,022	(40,553)

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
Profit/(loss) for the year		326,436	(534,502)	26,022	(40,553)
Other comprehensive income					
Transfer to foreign exchange reserve		(14,968)	(63,443)	-	-
Total comprehensive income for the year		311,468	(597,945)	26,022	(40,553)

The notes on pages 15 to 40 are an integral part of these financial statements.

Statements of changes in equity

Group	Attributable to shareholders					Non-controlling interest €	Total €
	Share capital €	Other reserves €	Foreign exchange reserve €	Retained earnings €			
Balance as at 1 January 2016	500,000	18,305	(8,185)	4,513,423	-	5,023,543	
Comprehensive income							
Loss for the year	-	-	-	(534,502)	(2,112)	(536,614)	
Total comprehensive income	-	-	-	(534,502)	(2,112)	(536,614)	
Other comprehensive income							
Transfer to foreign exchange reserve	-	-	(63,443)	-	-	(63,443)	
Total other comprehensive income	-	-	(63,443)	-	-	(63,443)	
Transactions with owners							
Investment in non-controlling interest	-	-	-	-	40,000	40,000	
Balance at 31 December 2016	500,000	18,305	(71,628)	3,978,921	37,888	4,463,486	
Balance as at 1 January 2017	500,000	18,305	(71,628)	3,978,921	37,888	4,463,486	
Comprehensive income							
Profit for the year	-	-	-	326,436	9,035	335,471	
Total comprehensive income	-	-	-	326,436	9,035	335,471	
Other comprehensive income							
Transfer to foreign exchange reserve	-	-	(14,968)	-	-	(14,968)	
Total other comprehensive income	-	-	(14,968)	-	-	(14,968)	
Balance at 31 December 2017	500,000	18,305	(86,596)	4,305,357	46,923	4,783,989	

Statements of changes in equity - continued

Company	Share capital €	Foreign exchange reserve €	Retained earnings €	Total €
Balance at 1 January 2016	500,000	(295)	77,049	576,754
Comprehensive income				
Loss for the year	-	-	(40,553)	(40,553)
Balance at 31 December 2016	500,000	(295)	36,496	536,201
Balance at 1 January 2017	500,000	(295)	36,496	536,201
Comprehensive income				
Profit for the year	-	-	26,022	26,022
Balance at 31 December 2017	500,000	(295)	62,518	562,223

The notes on pages 15 to 40 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
Notes	2017	2016	2017	2016	
	€	€	€	€	
Cash flows from operating activities					
Cash from/(used in) operations	23	1,912,860	(1,349,202)	61,982	2,457,944
Finance income		19,411	5,913	238,634	121,648
Finance costs		(728,439)	(265,783)	(110,724)	(117,464)
Tax paid		(206,461)	(262,866)	(59,557)	(247)
Net cash from/(used in) operating activities		997,371	(1,871,938)	130,335	2,461,881
Cash flows used in investing activities					
Purchase of intangible assets		(17,311)	(84,155)	-	-
Purchase of property, plant and equipment		(9,514,802)	(5,556,648)	-	-
Investment in investment property		-	-	(506,491)	(1,928,109)
Purchase of investment in subsidiaries		-	-	-	(346,801)
Net cash used in investing activities		(9,532,113)	(5,640,803)	(506,491)	(2,274,910)
Cash flows from financing activities					
Movement in borrowings		-	(1,661,810)	-	(1,640,660)
Issue of loan from subsidiary		-	-	-	1,800,000
Proceeds from bond issue		-	15,000,000	-	-
Bond issue costs		-	(346,809)	-	-
Issue of shares in non-controlling interest		-	40,000	-	-
Proceeds from grants designated for specific purposes		1,745,322	-	-	-
Net cash from financing activities		1,745,322	13,031,381	-	159,340
Net movement in cash and cash equivalents		(6,789,420)	5,518,640	(376,156)	346,311
Cash and cash equivalents at beginning of year		7,933,244	2,414,604	279,400	(66,911)
Cash and cash equivalents at end of year	9	1,143,824	7,933,244	(96,756)	279,400

The notes on pages 15 to 40 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.

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.

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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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.

1.3 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)'.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(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.

1.5 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 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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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:

	%
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 improvements included within land and buildings 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.

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.

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.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

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 and non-financial assets

Investments in subsidiaries 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.

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. Summary of significant accounting policies - continued

1.8 Financial assets - continued

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.

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. Summary of significant accounting policies - continued

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.

1.14 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. Summary of significant accounting policies - continued

1.15 Grants designated for specific purposes

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 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 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.

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.

1. Summary of significant accounting policies - continued

1.18 Current and deferred tax - continued

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.

1.21 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 by the company's shareholders.

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 €1,544,545 (2016: €Nil) denominated in Egyptian pound as a result of an operational contractual agreement.

(ii) Cash flow interest rate risk

As the Group has no significant variable interest-bearing assets and liabilities, the Group's income and operating cash flows are not dependent of changes in market interest rates.

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.

(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:

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	Group	
	2017	2016
	€	€
Carrying amounts		
Trade receivables - net	4,681,529	2,669,017
Amounts due from parent	853,711	829,225
Other receivables	274,006	218,861
Indirect taxation	616,280	402,915
Cash and cash equivalents (Note 9)	1,343,882	8,196,303
	7,769,348	12,316,321

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 has impaired balances of €95,673 (2016: €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 8). 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 (2016: €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.

(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 13 and 12 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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 2017					
Unsecured bonds	15,000,000	21,480,000	720,000	2,880,000	17,880,000
Bank overdraft	200,058	200,058	-	-	-
Trade and other payables	7,586,699	7,586,699	7,161,699	425,000	-
	23,105,824	29,585,824	8,200,766	3,305,000	17,880,000

	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
Bank overdraft	263,059	263,059	263,059	-	-
Trade and other payables	3,063,776	3,063,776	2,638,776	425,000	-
	18,326,835	25,526,835	3,621,835	3,305,000	18,600,000

2.2 Fair values of financial instruments

At 31 December 2017 and 2016, 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 2016			
Cost and net book amount	-	725,000	725,000
Year ended 31 December 2016			
Opening net book amount	-	725,000	725,000
Additions	84,155	-	84,155
Closing net book amount	84,155	725,000	809,155
At 31 December 2016			
Cost and net book amount	84,155	725,000	809,155
Year ended 31 December 2017			
Opening net book amount	84,155	725,000	809,155
Additions	17,311	-	17,311
Amortisation	(20,293)	-	(20,293)
Closing net book amount	81,173	725,000	806,173
At 31 December 2017			
Cost	101,466	725,000	826,466
Accumulated depreciation	(20,293)	-	(20,293)
Net book amount	81,173	725,000	806,173

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 2016						
Cost	203,217	600,735	1,813,007	430,559	259,547	3,307,065
Accumulated depreciation	(6,408)	-	(582,886)	(316,579)	(212,589)	(1,118,462)
Net book amount	196,809	600,735	1,230,121	113,980	46,958	2,188,603
Year ended 31 December 2016						
Opening net book amount	196,809	600,735	1,230,121	113,980	46,958	2,188,603
Additions	3,534,258	1,162,400	575,083	245,520	39,387	5,556,648
Commissioned assets	600,735	(600,735)	-	-	-	-
Depreciation charge	(48,976)	-	(176,351)	(70,509)	(32,012)	(327,848)
Closing net book amount	4,282,826	1,162,400	1,628,853	288,991	54,333	7,417,403
At 31 December 2016						
Cost	4,338,210	1,162,400	2,388,090	676,079	298,934	8,863,713
Accumulated depreciation	(55,384)	-	(759,237)	(387,088)	(244,601)	(1,446,310)
Net book amount	4,282,826	1,162,400	1,628,853	288,991	54,333	7,417,403
Year ended 31 December 2017						
Opening net book amount	4,282,826	1,162,400	1,628,853	288,991	54,333	7,417,403
Additions	9,692,491	1,392,181	276,011	187,838	424,091	11,972,612
Depreciation charge	(215,394)	-	(315,825)	(92,486)	(103,831)	(727,536)
Closing net book amount	13,759,923	2,554,581	1,589,039	384,343	374,593	18,662,479
At 31 December 2017						
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

The improvement to premises include capitalised labour costs of €930,515 (2016: €674,259).

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 directors expect that 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 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.

5. Investment property

Company	Leasehold land and improvements €
Year ended 31 December 2016	
Opening net book amount	-
Additions	1,928,109
Depreciation charge	(12,360)
Closing net book amount	<u>1,915,749</u>
At 31 December 2016	
Cost	1,928,109
Accumulated depreciation	(12,360)
Net book amount	<u>1,915,749</u>
Year ended 31 December 2017	
Opening net book amount	1,915,749
Additions	1,392,181
Depreciation charge	(29,663)
Closing net book amount	<u>3,278,267</u>
At 31 December 2017	
Cost	3,320,290
Accumulated depreciation	(42,023)
Net book amount	<u>3,278,267</u>

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	€
Year ended 31 December 2016	
At beginning of the year	222,140
Additions	346,801
At end of the year	<u>568,941</u>
Year ended 31 December 2017	
At beginning and end of year	<u>568,941</u>

6. Investments in subsidiaries - continued

The principal subsidiaries at 31 December is shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2017 %	2016 %
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	Mediterranean Maritime Hub Building, Xatt il- Mollijiet, Marsa	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

7. Inventories

	Group	
	2017 €	2016 €
Finished goods	124,944	-
Work-in-progress	321,690	56,122
	446,634	56,122

8. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current				
Advanced payments	-	352,150	-	-
Amounts due from parent	853,711	829,225	-	-
Amounts due from subsidiaries	-	-	1,041,465	1,224,700
	853,711	1,181,375	1,041,465	1,224,700
Current				
Trade receivables – gross	4,777,202	2,669,017	-	-
Less: provision for impairment of receivables	(95,673)	-	-	-
Trade receivables - net	4,681,529	2,669,017	-	-
Advanced payments	352,019	389,152	-	-
Other receivables	274,006	218,861	10,920	19,249
Indirect taxation	616,280	402,915	159,708	-
Prepayments and accrued income	832,262	1,452,615	509,556	509,556
	6,756,096	5,132,560	680,184	528,805
Total trade and other receivables	7,609,807	6,313,935	1,721,649	1,753,505

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.

At 31 December 2016, the amounts due from parent are unsecured, interest free and repayable in 2026. As from 2017, amounts due from parent totalling €345,212 (2016: €Nil) bear interest at 5%.

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.

9. Cash and cash equivalents

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	1,343,882	8,196,303	103,302	279,400
Bank overdraft	(200,058)	(263,059)	(200,058)	-
	1,143,824	7,933,244	(96,756)	279,400

The cash and cash equivalents are disclosed net of unrealised differences on exchange. In 2016, included within the cash and cash equivalents of the Group is an amount of €7,209,640 received from the proceeds of the bond issue.

10. Share capital

	Group & Company	
	2017	2016
	€	€
Authorised, issued, called-up and fully paid		
250,000 ordinary shares class A of €1 each	250,000	250,000
250,000 ordinary shares class B of €1 each	250,000	250,000
	500,000	500,000

'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.

11. 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% (2016: 35%).

The movement on the deferred tax account is as follows:

	Group	
	2017	2016
	€	€
At beginning of year	138,075	40,282
<i>Recognised directly in profit or loss</i>		
Deferred tax credit for the year (Note 21)	268,927	97,793
At end of year	407,002	138,075

The balance at 31 December represents:

	2017	2016
	€	€
Temporary differences arising on depreciation of property, plant and equipment	(484,892)	(155,339)
Temporary differences on unutilised capital allowances	486,070	233,945
Temporary differences arising on trading tax losses	59,540	59,469
Temporary differences on provision for impairment of receivables	33,486	-
Temporary differences on unutilised tax credits	312,798	-
Deferred tax asset	407,002	138,075

At 31 December 2017 the Group had unrecognised deferred tax assets of €52,002 (2016: €15,495) arising from unabsorbed capital allowances 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.

12. Borrowings

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Non-current				
15,000,000 4.8% bonds 2026	14,680,125	14,653,191	-	-
Loan from subsidiary	-	-	1,800,000	1,800,000
Total non-current	14,680,125	14,653,191	1,800,000	1,800,000
Current				
Bank overdraft	200,058	263,059	200,058	-
Total current	200,058	263,059	200,058	-
Total borrowings	14,880,183	14,916,250	2,000,058	1,800,000

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

At 31 December 2017, the Group and Company had an overdraft facility of €300,000 (2016: €300,000) which carries interest at 6.375%.

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	
	2017 €	2016 €
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	34,313	7,379
Closing net book amount	(319,875)	(346,809)
Amortised cost at 31 December	14,680,125	14,653,191

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

	Group	
	2017 €	2016 €
Total borrowings:		
At fixed rates	4.80%	4.80%

12. Borrowings - continued

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

	Group 2017	2016
Bonds 2026	4.80%	4.80%

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.

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 2017 for the bonds was €104.50 (2016: €103.50). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

13. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current				
Other payables	425,000	425,000	-	-
Amounts due to subsidiaries	-	-	182,447	379,377
Amounts due to related parties	-	-	1,171,929	1,171,929
	425,000	425,000	1,354,376	1,551,306
Current				
Trade and capital payables	6,624,150	2,009,853	1,694,056	475,471
Other payables	-	154,978	-	143,867
Accruals and deferred income	537,549	473,945	37,421	10,750
	7,161,699	2,638,776	1,731,477	630,088
Total trade and other payables	7,586,699	3,063,776	3,085,853	2,181,394

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.

14. Grants designated for specific purposes

	Group	
	2017 €	2016 €
Opening net book amount	-	-
Allocation of grant for the year	1,745,322	-
Amortisation for the year	(39,283)	-
	1,706,039	-
	2017 €	2016 €
Disclosed as:		
Current	41,179	-
Non-current	1,664,860	-
	1,706,039	-

As at 31 December 2017, grants amounting to €1,706,039 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. The non-current portion of deferred grants amounted to €1,664,860. Such 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 are disclosed in note 16.

15. 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	
	2017 €	2016 €	2017 €	2016 €
Rendering of services	15,733,451	12,624,691	-	-
Rental income	-	-	792,614	849,260
	15,733,451	12,624,691	792,614	849,260

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 carried as investment property (Note 5).

16. Profit/(loss)

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Depreciation on property, plant and equipment (Note 4)	727,536	327,848	-	-
Depreciation of investment property (Note 5)	-	-	29,663	12,360
Ground rent payable	672,614	849,260	672,614	849,260
Amortisation of grant (Note 14)	(39,283)	-	-	-
Employee benefit expense (Note 17)	2,286,761	1,988,013	-	-

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2017 and 2016 relate to the following:

	Group	
	2017	2016
	€	€
Annual statutory audit	50,650	46,300
Tax compliance services	2,150	2,050
Other non-audit services	23,180	122,490
	75,980	170,840

In 2016, other non-audit services relate to costs incurred with respect to the bond issue that were recognised within bond issue costs (Note 12).

17. Employee benefit expense

	Group	
	2017	2016
	€	€
Wages and salaries	3,045,853	2,510,796
Social security costs	166,394	147,022
Maternity fund contributions	5,029	4,454
	3,217,276	2,662,272
Capitalised payroll costs	(930,515)	(674,259)
	2,286,761	1,988,013

17. Employee benefit expense - continued

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

	Group	
	2017	2016
Direct and administrative	99	90

18. Other income

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Other income	82,332	97,526	750	-

19. Finance income

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Bank interest receivable	2,150	5,913	1,014	1,648
Interest receivable from fellow subsidiary	-	-	-	120,000
Interest receivable from parent	17,261	-	-	-
Dividend receivable from fellow subsidiary	-	-	237,620	-
	19,411	5,913	238,634	121,648

20. Finance costs

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Bond interest	720,000	157,360	-	-
Amortisation of bond issue costs	31,734	7,379	-	-
Interest payable to subsidiary	-	-	107,100	25,235
Bank interest	3,639	101,044	3,624	92,229
	755,373	265,783	110,724	117,464

21. Tax (credit)/expense

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Current tax expense	38,047	314	83,582	247
Group relief	-	-	2,597	-
Deferred tax credit (Note 11)	(268,927)	(97,793)	-	-
Tax (credit)/expense	(230,880)	(97,479)	86,179	247

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		Company	
	2017 €	2016 €	2017 €	2016 €
Profit/(loss) before tax	104,591	(634,093)	112,201	(40,306)
Tax at 35%	36,607	(221,933)	39,270	(14,107)
Tax effect of:				
Expenses not deductible for tax purposes	59,208	65,023	47,112	14,684
Unrecognised deferred tax	-	15,495	-	-
Under provision in unrecognised deferred tax in prior year	(23,578)	44,305	-	-
Income subject to foreign tax	23,633	-	-	-
Unrealised exchange differences	-	50	-	-
Recognition of investment tax credits	(312,798)	-	-	-
Income subject to reduced rates of tax	(13,952)	(419)	(203)	(330)
Tax (credit)/expense	(230,880)	(97,479)	86,179	247

22. Directors' emoluments

	Group	
	2017 €	2016 €
Salaries and other emoluments	332,318	264,366

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

23. Cash generated from/(used in) operations

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

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Operating profit/(loss)	840,553	(374,223)	(15,709)	(44,490)
Adjustments for:				
Amortisation of intangible assets (Note 3)	20,293	-	-	-
Depreciation of property, plant and equipment (Note 4)	727,536	327,848	-	-
Depreciation of investment property (Note 5)	-	-	29,663	12,360
Provision for impairment receivables	95,673	-	-	-
Amortisation of grant (Note 14)	(39,283)	-	-	-
Movement in foreign exchange reserve	(14,968)	(63,443)	-	-
Changes in working capital:				
Inventories	(390,512)	101,728	-	-
Trade and other receivables	(1,391,545)	(2,202,714)	31,856	1,675,751
Trade and other payables	2,065,013	861,602	16,172	814,323
Cash generated from/(used in) operations	1,912,860	(1,349,202)	61,982	2,457,944

24. Contingencies

The Group received claims for additional charges of €1,005,297 (2016: €1,005,297) for the use of operational property which is being contested on the basis that such claims are not covered by contractual obligations. The Group is presently rebutting these claims and the directors are of the opinion that settlement of this contestation will not have an adverse impact on the cash flows of the Group.

25. Commitments

Contracted commitments

On 22 May 2012, the Group entered into a contract whereby its parent (Elesolar Company Limited) had transferred to a subsidiary of the Group all the rights and obligations of a promise of sale agreement to acquire land from third parties at a cost of €873,515. The purpose to acquire land was to build a petrol station with all the necessary amenities. As at year end, the Group had not yet signed the contract of sale and has paid advances to the third parties totalling €351,695 (2016: €351,695) as disclosed in Note 8. Related permits have been issued after year end (note 27).

Capital commitments

	Group	
	2017 €	2016 €
Authorised and contracted for	-	5,992,803

26. 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 8 and 13 to the financial statements.

The following transactions were carried out with related parties:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Rental income from subsidiary	-	-	792,614	849,260
Divided income from subsidiary	-	-	237,620	-
Interest income from subsidiary	-	-	-	120,000
Interest payable to subsidiary	-	-	(107,100)	(25,235)
Interest income from parent	17,261	-	-	-

Key management personnel compensation including directors' remuneration is disclosed within note 17 and amounts to €548,725 (2016: €501,653). Directors' emoluments are disclosed separately in note 22.

27. Events after balance sheet date

In January 2018, the Group and Company negotiated a new banking facility amounting to €2,600,000 to finance capital creditors and expenditure on the site.

On 11 January 2018, the Planning Authority approved the necessary permits to commence works on land on which the Group has a promise of sale agreement (note 25) to utilise the intangible asset disclosed in note 3 to these financial statements.

28. Statutory information

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

The immediate parent company of MMH Holdings Limited is Elosolar 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.

29. 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.