

MEDITERRANEAN MARITIME HUB FINANCE p.l.c.

Annual Financial Report and Financial Statements  
31 December 2022

## **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 2022.

### **Directors, Officers & Other Information**

*Directors:* Mr Paul Abela (Chairman)  
Ms Angelique Abela  
Mr Anthony Bonnici  
Dr Michael Borg Costanzi  
Mr Lino Casapinta  
Mr Raymond Ciantar

*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,  
Zone 5, Central Business District  
Qormi CBD 5090  
Malta

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

### **Principal Activities**

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

## Review of the Business

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

The Company recognises that the key risk of its business is that of the potential non-fulfilment by the borrowers (that is, the two Group members – MMH Malta Limited and MMH Holdings Limited) of their obligations under the relative loan agreements; and due to the borrowers' operations, this risk is impacted by developments in the different marine sectors in which the Group operates.

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

### Group's Performance for 2022 and Outlook for 2023

#### *Financial*

The Group's recorded turnover for the end of 2022 was €17,165,643 (2021: €14,025,196). During the year under review, the Group's gross profit was €2,324,994 (2021: €1,286,101) with an operating profit of €19,490 (2021: loss of €656,107)

The Group's net assets at the end of 2022 amounted to €2,291,053 (2021: €2,853,485).

The Group measures the achievement of its objectives using the following other key performance indicators.

The Group's current ratio ("current assets divided by current liabilities") stands at 0.85:1 (2021: 0.81:1).

The Group measures its performance based on EBITDA. EBITDA is defined as the Group profit before depreciation, amortisation, net finance expense and taxation. During the year under review, EBITDA amounted to €1,080,846 (2021: €843,981).

After accounting for investment income and finance costs, the Group registered a pre-tax loss of €1,649,039 (2021: €1,761,687).

During the year under review, the Group slowed down development on the Site, mainly focusing on consolidating its position and concentrating on the Site's essential areas. Nonetheless, the investment within the Site continued during the year with a total investment of €2,234,704. This consisted mainly of investment in plant and machinery and improvements to the Site. The total investment by the Group in the Site at cost at the end of 2022 reached €36 million.

#### *Group Operations*

The Group's current revenue streams can be segmented as follows:

- Oil and gas and energy services for operators and support vessels
- Project cargo storage and logistical support
- Provision of trained and qualified personnel for deployment in the oil and gas Industry
- Specialised training courses for the oil and gas industry
- Maritime services including berthing facilities and shore base support for visiting vessels
- Fabrication and technical works
- Repair and maintenance works for vessels and yachts
- Vessel hoisting up to 700 tons and hard standing facilities

### *Oil & Gas Operations*

The average price of crude oil for 2022 was \$94.53 per barrel compared to \$70.68 for 2021. A positive trend in the market, resulting in an increased interest in exploration and production projects in the Med Region and beyond. In fact, previously shelved projects for new onshore and subsea facilities, requiring fabrication and installation works, as well as substantial logistical support, are being once again considered. Whilst these projects are projected to materialise end 2023 / 2024, the Group is still following on requests for facility support services from leading oil and gas contractors. We assume that with the oil price increase to an average of \$94 per barrel, coupled with the sanctions imposed on Russian fuels, there will be an increase in the resolve of the major oil companies to resume exploration and increased production in the Mediterranean and North African region.

Following the increase in personnel recruitment towards the end of 2021, 2022 followed the same steady trend and registered an increase in revenue of 400k at the end of the year, when compared to 2021. The Group's incessant pursuing of every possible opportunity remains top priority to ensure growth for the coming year.

### *Commercial Marine Support Activities*

The commercial Marine support activities in the Facility have, as their primary target, the berthing of vessels within the Facility, which in turn require other support services. This activity has been made possible through the initial multi-million investment carried out by the Group to dredge the seabed for the fairway and the berths.

There was a shift from 2021's COVID recovery and decommissioning of vessels, to 2022's increased activity in the energy sector, resulting in an increased demand for offshore supply vessels, which were scarce on the market. This meant that practically all offshore supply vessels were being engaged for offshore contracts. Whilst this is positive for the industry, it reduced the port service calls in Malta drastically, affecting the overall berthing occupancy rate and hence the related revenues, which in 2022 saw a decline of approximately €640,000 when compared to 2021.

The Group anticipates that the revenues from berthing shall start recovering as from 2023, by improving the mix of vessels calling in port.

Notwithstanding this, as with the provision of offshore personnel, the Group plans to follow up on all opportunities to continue attracting vessels and maximising its revenues.

### *Vessel Hoisting, hard standing and maintenance facilities – Vessel Care*

VesselCare is in its fourth full year of operation, which has survived the entire period of the pandemic and Russia – Ukraine War. Activity has experienced growth year on year with 2022 having an increase of approximately €900,000 over 2021. The forecasts indicate that 2023 will experience another growth in revenue. Further growth is anticipated with the increase of more services provided through the Group directly and focusing more on the long-term technical value-add projects. Growth is also spurred through the positive response and satisfaction rate of the Facility within the industry, as being the top and best-rated facility.

This activity has an increased seasonality factor which sees activity slowing down over the summer period. To counterbalance this seasonality slow down, the Group has approved a further investment of €1.3million, for the provision of a dry marina, a service offering which will contribute to the Group's revenue in the shoulder months, June to October. This project will be completed before the start of Summer 2023.

## **Cash flow projections**

The Group has prepared cash flow forecasts for the year ending 31 December 2023. This forms part of the Group's business plan for the years ending 31 December 2023-27 (FY23-27).

The Business Plan sets out a number of strategic measures which Management is proposing to optimise Site utilisation and increase profitability, as well as measures to improve the Group's management structure, controls, and other internal processes over both the short and medium-term.

Cash flow forecasts for the period were based on several assumptions, which were deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements.

The cash flow forecast presented by the Group indicates that sufficient cash will be generated throughout the year to enable the Group to meet its financial commitments.

## **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.

## **Likely future business developments**

The Directors consider that, taking all into consideration, the Site is still a project-in-the-making, and is not yet fully utilised for revenue generation. The Directors therefore understand that the Group requires additional investment in order to achieve its full potential in terms of the utilisation of the Site and business streams arising therefrom. In view of this, the Group has embarked on negotiations with third party investors, with the aim of these investors acquiring a majority shareholding in the Guarantor (or in any restructured corporate structure having a similar net effect). As at the date of this report, negotiations are well underway to achieving this target subject to the conditions better described in Note 1.1 in the Basis of Preparation Statement to these Financial Statements. Notwithstanding these latest developments, the Group remains focused on pursuing new opportunities and business development in the Mediterranean region – especially in the oil and gas, and maritime sectors.

## **Going Concern Statement**

Pursuant to Capital Markets Rule 5.62, the Directors declare that after making enquiries, at the time of approving the financial statements, and after having considered the Group's cash flow forecast, they have determined that the Company has the needed resources to continue operating for the next twelve months – as per Note 1.1 in the Basis of Preparation Statement to these Financial Statements. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

## **Results and Dividends**

The results for the year ended 31 December 2022 are shown in the Statement of Comprehensive Income 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 (IFRS) as adopted within the European Union;

- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

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

The financial statements of Mediterranean Maritime Hub Finance p.l.c. for the year ended 31 December 2022 are included in the Annual Financial Report 2022, which is made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Financial Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

### **Statement of Responsibility pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority**

We confirm to the best of our knowledge:

- (a) In accordance with the Capital Markets Rules, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 Capital Markets Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

### **Auditors**

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

Signed on behalf of the Board of Directors on 27 April 2023 by Paul Abela (Director) and Angelique Abela (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

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

27 April 2023

## **Corporate governance - Statement of compliance**

### **Introduction**

Pursuant to the requirements of the Capital Markets Rules issued by 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 Capital Markets Rules, as well as the measures adopted to ensure compliance with these same Principles.

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

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

### **Roles and responsibilities**

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

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

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

### **Board of Directors**

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

For the financial year ended 31 December 2022, one of the Directors, Ms Angelique Abela, occupied a senior executive position within the Group, whilst two other Directors, Mr Paul Abela and Mr Raymond Ciantar are non-executive directors who remain active in the Group as directors on the Boards of Directors of some of its subsidiary companies. The remaining Directors, Mr Anthony Bonnici, Dr Michael Borg Costanzi, and Mr Lino Casapinta serve, or have served, as non-executive and independent Directors. These Directors are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either.

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

## **The exercise of the role of the Board**

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

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

The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. All agenda items were then discussed during the Board meetings held during 2022.

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

- direct supervision, supported by expert professional advice as appropriate, on the issue and listing of Bonds;
- that the proceeds of the Bonds are applied for the purposes for which they were sanctioned as specified in the offering memoranda of the Bonds;
- proper utilisation of the resources of the Company;
- approval of the annual financial 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 Malta Financial Services Authority, are modelled on the principles set out in the Capital Markets Rules themselves. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the Group financial statements and disclosures, and monitoring the system of internal control established by management, as well as the audit process.



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

- Mr Lino Casapinta (Chairman)
- Mr Anthony Bonnici
- Dr Michael Borg Costanzi

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

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

The Audit Committee held five meetings throughout 2022. 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 Capital Markets Rules, the financial statements of the Company are subject to annual audit by its external auditors. In addition, the non-executive Directors have direct access to the external auditors of the Company, who attend the Board meetings at which the Company's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

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

### **Relations with the Market**

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

### **Remuneration Statement**

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

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

Approved by the Board.

## Statement of financial position

|                                       | Notes | At 31 December    |            |
|---------------------------------------|-------|-------------------|------------|
|                                       |       | 2022<br>€         | 2021<br>€  |
| <b>ASSETS</b>                         |       |                   |            |
| <b>Non-current assets</b>             |       |                   |            |
| Loans receivable from related parties | 4     | 14,750,000        | 14,750,000 |
| Total non-current assets              |       | 14,750,000        | 14,750,000 |
| <b>Current assets</b>                 |       |                   |            |
| Trade and other receivables           | 5     | 791,450           | 694,656    |
| Cash and cash equivalents             | 6     | 7,293             | 382        |
| Total current assets                  |       | 798,743           | 695,038    |
| <b>Total assets</b>                   |       | <b>15,548,743</b> | 15,445,038 |
| <b>EQUITY AND LIABILITIES</b>         |       |                   |            |
| <b>Capital and reserves</b>           |       |                   |            |
| Share capital                         | 7     | 250,000           | 250,000    |
| Retained earnings                     |       | 262,180           | 223,590    |
| Total equity                          |       | 512,180           | 473,590    |
| <b>Non-current liabilities</b>        |       |                   |            |
| Borrowings                            | 8     | 14,841,722        | 14,805,387 |
| Total non-current liabilities         |       | 14,841,722        | 14,805,387 |
| <b>Current liabilities</b>            |       |                   |            |
| Trade and other payables              | 9     | 194,841           | 166,061    |
| Total current liabilities             |       | 194,841           | 166,061    |
| Total liabilities                     |       | 15,036,563        | 14,971,448 |
| <b>Total equity and liabilities</b>   |       | <b>15,548,743</b> | 15,445,038 |

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors 27 April 2023. The financial statements were signed on behalf of the Board of Directors by Paul Abela (Director) and Angelique Abela (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

## Statement of comprehensive income

|   |       | Year ended 31 December |                |
|---|-------|------------------------|----------------|
|   | Notes | 2022<br>€              | 2021<br>€      |
| Finance income  | 10    | 877,625                | 877,625        |
| Finance costs   | 11    | (756,335)              | (752,908)      |
| <b>Net interest income</b>                              |       | <b>121,290</b>         | <b>124,717</b> |
| Administrative expenses                                 | 12    | (82,700)               | (77,471)       |
| <b>Profit for the year - total comprehensive income</b> |       | <b>38,590</b>          | <b>47,246</b>  |

The accompanying notes are an integral part of these financial statements.

## Statement of changes in equity

|  | Share<br>capital<br>€ | Retained<br>earnings<br>€ | Total<br>€     |
|--|-----------------------|---------------------------|----------------|
| As at 1 January 2021                             | 250,000               | 176,344                   | 426,344        |
| <b>Comprehensive income</b>                      |                       |                           |                |
| Profit for the year - total comprehensive income | -                     | 47,246                    | 47,246         |
| Balance at 31 December 2021                      | 250,000               | 223,590                   | 473,590        |
| As at 1 January 2022                             | 250,000               | 223,590                   | 473,590        |
| <b>Comprehensive income</b>                      |                       |                           |                |
| Profit for the year - total comprehensive income | -                     | 38,590                    | 38,590         |
| <b>Balance at 31 December 2022</b>               | <b>250,000</b>        | <b>262,180</b>            | <b>512,180</b> |

The accompanying notes are an integral part of these financial statements.

## Statement of cash flows

|   | Notes | Year ended 31 December |           |
|---|-------|------------------------|-----------|
|   |       | 2022<br>€              | 2021<br>€ |
| <b>Cash flows from/(used in) operating activities</b> |       |                        |           |
| Cash from/(used in) operations                        | 15    | 6,911                  | (2,943)   |
| Net cash from/(used) in operating activities          |       | 6,911                  | (2,943)   |
| <b>Net movement in cash and cash equivalents</b>      |       | 6,911                  | (2,943)   |
| <b>Cash and cash equivalents at beginning of year</b> |       | 382                    | 3,325     |
| <b>Cash and cash equivalents at end of year</b>       | 6     | 7,293                  | 382       |

The accompanying notes are an integral part of these financial statements.

## Notes to the financial statements

### 1. Summary of significant accounting policies

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

#### 1.1 Basis of preparation

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

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

#### *Going concern assessment*

The company is a special purpose vehicle and provides loans to MMH Group. The going concern of the company is dependent on the support provided by the Group.

The Group reported EBITDA for the financial year ending 31 December 2022 amounted to €1.1million, an improvement of €0.2million over the 2021 EBITDA. Despite this improvement, the Group-reported losses for 2022 totalled €1.8million. These results are included in the Group's equity position which as at 31 December 2022 totalled €2.3million. This equity also includes an increase in issued share capital of €1.2 million. Despite an improvement in results and shareholder support towards the Group's equity the breach of bank facility covenants reported in 2021 were still in place in 2022. Management obtained waivers from its bank with respect to the above-noted breaches. These actions demonstrate the continuous support given by the shareholders and the bank.

During the 2022 financial year management efforts were not only directed towards improving the financial position of the Group but also at securing new investors that will provide strategic assistance towards the capital of the Group moving forward. With a reported Group net current liabilities of €1,073,860 as at end of 2022, this support is deemed fundamental by the directors.

As reported in a company announcement for Mediterranean Maritime Hub Finance plc dated 27 January 2023, the ultimate beneficial owner of the group signed a conditional and non-binding Letter of Intent with new investors for the eventual transfer of a majority shareholding in the Group. The new investors have submitted a conditional offer on 22 April 2023, which is subject to the parties entering into binding definitive documentation by not later than 30 June 2023, and which conditional offer supersedes the abovementioned letter of intent. The involvement of the new shareholders, the related transfer of ownership and the finalization of the related binding definitive documentation is subject to certain terms and conditions including amongst other matters, implementation of changes and restructuring to the Group, its business and contractual arrangements, settlement of funding and amounts due, and obtaining regulatory approvals to proposed changes or rectifications to terms currently in place. These terms and conditions include the obtaining of the necessary approvals of the local competent authorities in line with the Guarantor's obligations arising from a public deed of the 1 August, 2016 concerning the transfer by temporary emphyteusis of the site in Marsa. The parties are optimistic that an agreement on final definitive contracts can be concluded in the coming months, with the change in ownership being completed within a few months from date on which all the above matters are addressed and the above-mentioned approvals have been obtained.

In accordance with the conditional offer agreement, the availability and participation of the new investors in the capital of the Group means that new funds of approximately €10 million will flow in the Group to restructure the present capital. Furthermore the parties involved have prepared group financial projections (including the necessary investments derived from the above noted inflows) for the period 2023 to 2027 which present a profitable and a positive cash position base-case scenario for the coming years. These cash flow projections are deemed by management to be as realistic as possible with the information and data in hand at the time of preparation of these projections. These projections indicate that with the support of the new investors, sufficient capital will be available to the Group to meet its financial commitments in the medium term.

However, the board of directors of the parent company recognises that, taking cognisance of the equity position of the Group as at 31 December 2022, there remain uncertainty should (a) the parties not reach an agreement on final definitive contracts, or (b) any of the terms and conditions related to the said definitive contracts between the present shareholders and the new investors not be satisfied and the change in ownership and involvement in the Group by the new investors (and related capital injection) not materialise within a reasonable timeframe. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this, the board of directors, at the time of approving the financial statements, and after having considered the above, have determined that the adoption of the going concern basis in preparing the financial statements is appropriate.

#### *Standards, interpretations and amendments to published standards effective in 2021*

In 2021, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Company's accounting periods beginning after 1 January 2022. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

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

## **1.2 Foreign currency translation**

### *(a) Functional and presentation currency*

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

### *(b) Transactions and balances*

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

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

## **1.3 Financial assets**

### **Classification**

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

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

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

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

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

### **Recognition and measurement**

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



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

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

### **Impairment**

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

#### *Expected credit loss model*

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

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

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

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

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

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

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

### **1.4 Trade and other receivables**

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

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

### **1.5 Cash and cash equivalents**

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

### **1.6 Share capital**

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

### **1.7 Borrowings**

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

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

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

### **1.8 Trade and other payables**

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

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

### **1.9 Financial liabilities**

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

### **1.10 Offsetting financial instruments**

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

### **1.11 Current and deferred tax**

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

directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

### 1.12 Finance income and costs

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

## 2. Financial risk management

### 2.1 Financial risk factors

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

#### (a) Credit risk

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

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

|  | 2022              | 2021              |
|--|-------------------|-------------------|
|  | €                 | €                 |
| <b>Financial assets measured at amortised cost</b> |                   |                   |
| Loans receivable from related parties (Note 4)     | 14,750,000        | 14,750,000        |
| Trade and other receivables (Note 5)               | 783,954           | 686,965           |
| Cash and cash equivalents (Note 6)                 | 7,293             | 382               |
|  | <b>15,541,247</b> | <b>15,437,347</b> |

The company does not hold collateral as security on its loans receivable. As disclosed in note 8, MMH Holdings Limited has issued corporate guarantees with respect to the company's bonds.

These borrowings have been loaned to MMH Holdings Limited and MMH Malta Limited through the issue of the company's loans receivable.

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

At 31 December 2022 and 2021, cash and short-term deposits are held with counterparties with a good credit rating and are due to be settled within a short period of time. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses, as any such impairment would be wholly insignificant to the company.

*(b) Liquidity risk*

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

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

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

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

|                          | Carrying amount<br>€ | Contractual cash flows<br>€ | Within one year<br>€ | One to five years<br>€ | Over five years<br>€ |
|--------------------------|----------------------|-----------------------------|----------------------|------------------------|----------------------|
| <b>31 December 2022</b>  |                      |                             |                      |                        |                      |
| Unsecured bonds          | 15,000,000           | 17,880,000                  | 720,000              | 17,160,000             | -                    |
| Trade and other payables | 194,841              | 194,841                     | 194,841              | -                      | -                    |
|                          | <b>15,194,841</b>    | <b>18,074,841</b>           | <b>914,841</b>       | <b>17,160,000</b>      | <b>-</b>             |
| <b>31 December 2021</b>  |                      |                             |                      |                        |                      |
| Unsecured bonds          | 15,000,000           | 18,600,000                  | 720,000              | 17,880,000             | -                    |
| Trade and other payables | 166,061              | 166,061                     | 166,061              | -                      | -                    |
|                          | <b>15,166,061</b>    | <b>18,766,061</b>           | <b>886,061</b>       | <b>17,880,000</b>      | <b>-</b>             |

## 2.2 Capital risk management

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

## 2.3 Fair values of financial instruments

At 31 December 2022 and 2021, the carrying amounts of receivables (net of loss allowance, if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

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

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

## 3. Critical accounting estimates and judgements

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

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

#### 4. Loans receivable from related parties

|  | 2022<br>€  | 2021<br>€  |
|--|------------|------------|
| <b>Loans to parent company and fellow subsidiary</b> |            |            |
| At beginning and end of year                         | 14,750,000 | 14,750,000 |
| <b>At 31 December</b>                                |            |            |
| Cost and net book amount                             | 14,750,000 | 14,750,000 |

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

Weighted average effective interest rate as at 31 December:

|   | 2022  | 2021  |
|---|-------|-------|
| Loans to parent company and fellow subsidiary | 5.95% | 5.95% |

#### 5. Trade and other receivables

|                                    | 2022<br>€ | 2021<br>€ |
|------------------------------------|-----------|-----------|
| <b>Current</b>                     |           |           |
| Amounts due from fellow subsidiary | 223,220   | 126,231   |
| Amounts due from parent            | 560,734   | 560,734   |
| Prepayments and accrued income     | 7,496     | 7,691     |
|                                    | 791,450   | 694,656   |

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

#### 6. Cash and cash equivalents

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

|                           | 2022<br>€ | 2021<br>€ |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | 7,293     | 382       |

## 7. Share capital

|   | 2022<br>€      | 2021<br>€ |
|---|----------------|-----------|
| <b>Authorised, issued and fully paid up</b><br>250,000 ordinary shares of €1 each | <b>250,000</b> | 250,000   |

## 8. Borrowings

|   | 2022<br>€         | 2021<br>€  |
|---|-------------------|------------|
| <b>Non-current</b><br>15,000,000 4.80% unsecured bonds 2026 | <b>14,841,722</b> | 14,805,387 |

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:

|  | 2022<br>€         | 2021<br>€  |
|--|-------------------|------------|
| <b>Face value</b><br>15,000,000 4.80% bonds 2026 | <b>15,000,000</b> | 15,000,000 |
|  | <b>15,000,000</b> | 15,000,000 |
| Issue costs                                      | <b>(354,188)</b>  | (354,188)  |
| Accumulated amortisation                         | <b>195,910</b>    | 159,575    |
| Closing net book amount                          | <b>(158,278)</b>  | (194,613)  |
| <b>Amortised cost at 31 December</b>             | <b>14,841,722</b> | 14,805,387 |

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

|                                     | 2022         | 2021  |
|-------------------------------------|--------------|-------|
| Total borrowings:<br>At fixed rates | <b>4.80%</b> | 4.80% |

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

|            | 2022         | 2021  |
|------------|--------------|-------|
| Bonds 2026 | <b>4.80%</b> | 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.

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 2022 for the bonds was €99 (2021: €103). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

## 9. Trade and other payables

|                              | 2022<br>€      | 2021<br>€      |
|------------------------------|----------------|----------------|
| <b>Current</b>               |                |                |
| Accruals and deferred income | 194,841        | 166,061        |
|                              | <u>194,841</u> | <u>166,061</u> |

## 10. Finance income

|   | 2022<br>€      | 2021<br>€      |
|---|----------------|----------------|
| Interest on loans to parent and fellow subsidiary | 877,625        | 877,625        |
|   | <u>877,625</u> | <u>877,625</u> |

## 11. Finance costs

|                                  | 2022<br>€      | 2021<br>€      |
|----------------------------------|----------------|----------------|
| Coupon interest payable on bonds | 720,000        | 720,000        |
| Amortisation of bond issue costs | 36,335         | 32,908         |
|                                  | <u>756,335</u> | <u>752,908</u> |



## 12. Expenses by nature

Administrative expenses are classified by their nature as follows:

|                                      | 2022<br>€     | 2021<br>€     |
|--------------------------------------|---------------|---------------|
| Listing and related compliance costs | 16,792        | 16,913        |
| Directors' fees (Note 14)            | 50,000        | 50,000        |
| Other expenses                       | 15,908        | 10,558        |
|                                      | <b>82,700</b> | <b>77,471</b> |

### *Auditor's fees*

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2022 and 2021 relate to the following:

|                                      | 2022<br>€     | 2021<br>€    |
|--------------------------------------|---------------|--------------|
| Annual statutory audit               | 9,909         | 7,350        |
| Tax advisory and compliance services | 330           | 200          |
|                                      | <b>10,239</b> | <b>7,550</b> |

## 13. Tax expense

|                     | 2022<br>€ | 2021<br>€ |
|---------------------|-----------|-----------|
| Current tax expense | -         | -         |

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

|                                    | 2022<br>€ | 2021<br>€ |
|------------------------------------|-----------|-----------|
| Profit before tax                  | 38,590    | 47,246    |
| Tax on profit at 35%               | 13,507    | 16,536    |
| Tax effect by:                     |           |           |
| Unrecognized deferred tax movement | (6,818)   | (16,536)  |
| Group loss relief absorbed         | (6,689)   | -         |
| Tax expense                        | -         | -         |

At 31 December 2022, the company had an unrecognized deferred tax asset of €Nil (2021: €6,818) arising an unabsorbed group relief that has not been recognized in these financial statements.

#### 14. Directors' emoluments

|                 | 2022<br>€     | 2021<br>€ |
|-----------------|---------------|-----------|
| Directors' fees | <b>50,000</b> | 50,000    |

#### 15. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

|                                  | 2022<br>€       | 2021<br>€ |
|----------------------------------|-----------------|-----------|
| Profit before tax                | <b>38,590</b>   | 47,246    |
| Adjustment for:                  |                 |           |
| Amortisation of bond issue costs | <b>36,335</b>   | 32,908    |
| Changes in working capital:      |                 |           |
| Trade and other receivables      | <b>(96,794)</b> | (83,517)  |
| Trade and other payables         | <b>28,780</b>   | 420       |
| Cash used in operations          | <b>6,911</b>    | (2,943)   |

#### 16. Related party transactions

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

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

|  | 2022<br>€      | 2021<br>€ |
|--|----------------|-----------|
| <b>Income statement</b>                          |                |           |
| Finance income from parent and fellow subsidiary | <b>877,625</b> | 877,625   |

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

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

**17. 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.





## *Independent auditor's report*

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

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- The financial statements give a true and fair view of the financial position of Mediterranean Maritime Hub Finance p.l.c. (the Company) as at 31 December 2022, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

#### **What we have audited**

Mediterranean Maritime Hub Finance p.l.c.'s financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

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

The non-audit services that we have provided to the company, in the period from 1 January 2022 to 31 December 2022, are disclosed in Note 12 to the financial statements.

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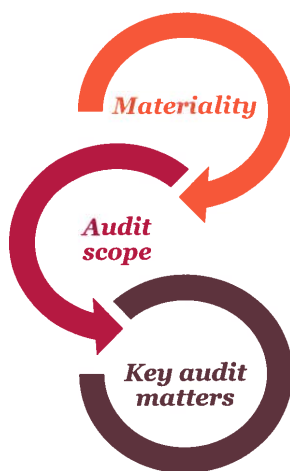
## *Material Uncertainty Related to Going-Concern*

We draw attention to note 1.1 to these financial statements, dealing with the basis of preparation which describes the Board of Directors' assessment on the Group's ability to continue operating as a going concern. The note states that the directors recognise that, taking cognisance of the equity position of the Group as at 31 December 2022, there remains uncertainty should (a) the parties not reach an agreement on the final definitive contracts, or (b) any of the terms and conditions related to the said definitive contracts between the present shareholders and the new investors not be satisfied and the change in ownership and involvement in the Group by the new investors (and related capital injection) not materialize within a reasonable timeframe. These events and conditions, along with other matters as set forth in Note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## *Our audit approach*

### Overview



- Overall materiality: €80,500, which represents approximately 0.5% of total assets.
  - Recoverability of loans issued to parent company and fellow subsidiary.
-

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

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

### **Materiality**

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

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

|  |  |
|--|--|
| <b>Overall materiality</b>                             | €80,500  |
| <b>How we determined it</b>                            | Approximately 0.5% of total assets   |
| <b>Rationale for the materiality benchmark applied</b> | We chose total assets as the benchmark, because in our view, it is an appropriate measure for this type of entity. We chose 0.5% which is within the range of quantitative materiality thresholds that we consider acceptable. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €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 |
|------------------|--|
|------------------|--|

### *Recoverability of loans issued to parent company and fellow subsidiary*

Loans and receivables include funds advanced to the parent company, MMH Holdings Limited (the Guarantor of the bonds), and a fellow subsidiary, MMH Malta Limited. Loan balances with these related parties as at 31 December 2022 amounted to €14.8 million.

As explained in the accounting policy note 1.3, the recoverability of the loans is assessed at the end of each financial year.

We have given additional attention to this area because of the magnitude of these balances as well as the financial challenges being faced by the parent company.

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 to the latest audited financial statements.

In addition, we have reviewed cash flow projections and forecasts based on the updated business plan, support from present as well as prospective investors (including new financing) and related agreements made available to us.

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report and the Corporate governance – Statement of compliance (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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *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.

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### *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.

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, actions taken to eliminate threats or safeguards applied.

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 compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the “ESEF RTS”), by reference to Capital Markets Rule 5.55.6***

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (“the ESEF Directive 6”) on the Annual Financial Report of Mediterranean Maritime Hub Finance p.l.c. for the year ended 31 December 2022, entirely prepared in a single electronic reporting format.

#### **Responsibilities of the directors**

The directors are responsible for the preparation of the Annual Financial Report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

#### **Our responsibilities**

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the financial statements, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report in XHTML format.
- Examining whether the Annual Financial Report has been prepared in XHTML format.

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

#### **Opinion**

In our opinion, the Annual Financial Report for the year ended 31 December 2022 has been prepared in XHTML format in all material respects.

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## ***Other reporting requirements***

The *Annual Financial Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

| <b>Area of the Annual Financial Report and Financial Statements 2022 and the related</b> | <b>Our responsibilities</b> | <b>Our reporting</b> |
|--|-----------------------------|----------------------|
|--|-----------------------------|----------------------|

## Directors' responsibilities

### Directors' report

The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.

We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.

In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.

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).

We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

### Corporate governance - Statement of compliance

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective

We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.

We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97.

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

In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.

effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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**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 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 which, to the best of our knowledge and belief, we require for our audit.

We also have responsibilities under the Capital Markets 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.

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*Other matter – use of this report*

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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*Appointment*

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

**PricewaterhouseCoopers**

78, Mill Street

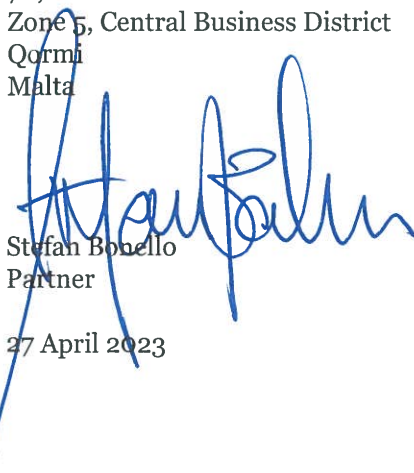
Zone 5, Central Business District

Qormi

Malta

Stefan Bonello  
Partner

27 April 2023

A handwritten signature in blue ink, appearing to read 'Stefan Bonello', is written over the printed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the left, ending in a small arrowhead.



# Mediterranean Maritime Hub Finance p.l.c.

## DIRECTORS' DECLARATION ON ESEF ANNUAL REPORT & FINANCIAL STATEMENTS 2022

27 April 2023

We, Paul Abela and Angelique Abela, in our capacity as Directors of Mediterranean Maritime Hub Finance p.l.c. (Company registration number: C 76597), hereby certify:

1. That the Annual Report & Financial Statements for the year ended 31 December 2022 have been approved by the Board of Directors of the Company and is hereby being made available to the public.
2. That the Annual Report & Financial Statements for the year ended 31 December 2022 have been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")<sup>1</sup> and the Capital Market Rules<sup>2</sup>.
3. That the Audit Report on the ESEF Annual Report & Financial Statements for the year ended 31 December 2022 is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the Annual Report & Financial Statements for the year ended 31 December 2022 including the annual financial statements.
4. That the Annual Report & Financial Statements for the year ended 31 December 2022 shall serve as the official document for the purposes of the Capital Markets Rules and, where the issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).



Paul Abela  
Director



Angelique Abela  
Director

<sup>1</sup> Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

<sup>2</sup> Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).





**Mediterranean Maritime Hub Finance p.l.c.**

**CERTIFICATION STATEMENT  
ON THE ESEF ANNUAL FINANCIAL REPORT**

27 April 2023

We, Paul Abela and Angelique Abela, in our capacity as Directors of Mediterranean Maritime Hub Finance p.l.c. (C76597) and Dr. Michael Zammit Maempel in my capacity of the Company Secretary of the Board, hereby **certify**:


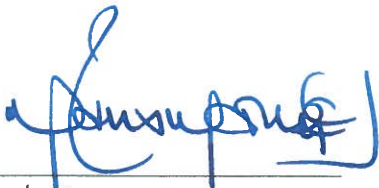
i. That the Board of Directors has authorised for issue the Annual Financial Report ("AFR") for the year ended 31 December 2022, that has been prepared in accordance with the terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF") and the Capital Markets Rules, which AFR is integrated into the electronic file(s) MMHF\_20221231\_IND\_AFR\_96760014CFQJHDBBB153.zip, endorsed by the Document ID: +XGZVsis3w0ebus= for subsequent approval by the auditor.

ii. That the AFR referred to above does not include handwritten signatures or electronic signatures due to technical restrictions/difficulties arising from the aforementioned electronic format.

iii. That the AFR referred to above shall serve as the official document for the purposes of the Capital Markets Rules and, where the Issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).



Signature  
Director

  
Signature  
Director

Signature  
Company Secretary

