COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE **"COMPANY"**)

Approval of Guarantor Financial Statements

Date of Announcement	3 June 2020
Reference	212/2020
Listing Rule	LR 5.61

QUOTE

Pursuant to announcements 208/2020 and 211/2020, the Company announces that the annual audited financial statements of Medserv Operations Limited (guarantor of the Medserv €20million 2023 6% Secured Notes) for the financial year ended 31 December 2019, as approved by the board of directors of Medserv Operations Limited, are available for viewing on the Company`s website at http://www.medservenergy.com/medops and are attached hereto.

UNQUOTE

Laragh Cassar
Company Secretary

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Medserv Operations Limited

Annual Report

2019

Company Registration Number: C 2971

Medserv Operations Limited

Medserv Operations Limited

Directors' Report

For the Year Ended 31 December 2019

The directors have prepared this directors' report for Medserv Operations Limited (the "Company") in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) ("the Act") including the further provisions as set out in the Sixth Schedule to the Act together with the financial statements of the Company for the year ended 31 December 2019.

Board of directors

Anthony S Diacono
Anthony J Duncan
Joseph F X Zahra
Joseph Zammit Tabona

Principal activities

The Company is engaged in the provision of a comprehensive logistical support and service base for the offshore oil and gas industry.

Review of business development

During the year, the Company has secured the extension of its contracts with its major clients to continue providing integrated logistics support services from its base in Malta. The Company continued servicing the offshore Libya Bahr Essalam Phase Two project. In addition, the Company was involved in a number of engineering and maintenance projects and has supported the offshore Libya drilling campaign carried out in the second half of the financial year 2019.

The Board continues to strategically lead the business focusing on the activities it has experience in, as well as on the opportunities it sees going forward.

Principal risks and uncertainties

The Board considers the nature and the extent of the risk profile that is acceptable to the Board and the impact these risks pose to the operations of the Company. The most important strategic, corporate, and operational risks as well as uncertainties identified during the year together with the actions taken by the Company to reduce these risks are listed below:

Concentration risk: The Company's business is heavily dependent on a few customers. The Company's objective is to increase client spread within the oil and gas industry by continuously working to secure business from additional international oil companies. In addition, the Company is also marketing its services to various industries to reduce its concentration on the oil and gas industry.

Political risk: The Company's results may be significantly impacted as a result of political decisions and instability which may delay, disrupt or cancel projects. The fiscal and economic conditions in Libya remained fragile during the year, characterised by inflation and a persistent political strife. The deterioration in the security situation continues to affect the prospects of its oil industry, though the country has recovered part of its oil production and exports.

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2019

Principal risks and uncertainties (continued)

Oil price: Oil service companies tend to have greater volatility of earnings than oil majors, given their sensitivity to the capital spending plans of oil explorers, which wax and wane with oil prices. Similar to other players in the industry, an increase in oil prices would directly benefit the Company from increased services required by oil companies in preparation of the oil exploration. On the other hand, as oil prices decline, energy production companies focus their efforts on increasing operating efficiencies. As companies engaged in oil and natural gas production curtail capital expenditures and seek operating efficiencies in response to lower oil prices, these actions apply downward pressure on the rates charged by drillers, oilfield support services, and other suppliers such as the Company. Accordingly, the Company's profit margins may be tightened due to such weakened demand for the services offered and heightened industry competition to maintain market share. The Company's strategy is to increase product diversification.

Financial performance

The Company's total revenue for the year amounted to €13,768,304 (2018: €13,671,902), representing an increase of 1% (2018: 23%) over the previous year. The Company has maintained the same volume of business as last year with a slight improvement in its margins following the recovery in the market in the previous year. As a result, the Company's operating profit during the year amounted to €2,550,768 (2018: profit of €735,413). This improvement is mainly attributable to the reversal of the impairment losses amounting to €1,232,284 recognised in previous years on the amounts receivable from fellow subsidiaries as they were assigned to the parent company during the year and netted off against the amounts payable to the parent company.

The Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Company amounted to €5,056,705 (2018: €3,633,006). After recognising depreciation amounting to €2,505,937 (2018: €2,897,593) and net finance costs amounting to €1,159,704 (2018: €1,179,836), the Company registered a profit before tax of €1,391,064 (2018: loss before tax of €444,423). After accounting for taxation, the profit for the year amounted to €1,186,703 (2018: loss for the year of €1,230,702).

Financial key performance indicators

	2019	**2018**
	€ 000	**€ 000**
Revenue	13,768	13,672
Profit / (loss) for the year	1,187	(1,231)
EBITDA	5,057	3,633
Working capital	469	4,180
Cash and cash equivalents	(3,626)	(2,305)

	2019	**2018**
EBITDA margin in %	36.73%	26.57%
EBITDA-to-Interest Coverage Ratio	4.36	3.08
Net debt (excl. parent company loans) to EBITDA	0.11	0.35
Net debt (excl. parent company loans) to Equity ratio	0.02	0.04

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2019

Financial position

As at 31 December 2019, the Company reported a net asset position amounting to €33,001,178 (2018: €31,814,475) and a positive working capital of €469,453 (2018: €4,179,575).

Dividends

No dividends have been declared or proposed.

Reserves

During the year, transfers from revaluation reserve to retained earnings amounted to €258,983 in accordance with the requirements of the Companies Act, 1995. Retained earnings amounting to €850,747 are being carried forward.

Future developments

The Company's strategy remains in line with prior years and is aimed to improve earnings while at the same time ensuring that the Company operates in a cost-effective manner across its product service lines. The Company has continued its investment in its management systems and equipment during the year.

Since the start of 2020, the COVID-19 epidemic has been impacting the hydrocarbon demand, causing oil prices to fall significantly. In addition, the decision by Organization of the Petroleum Exporting Countries (OPEC) and Russia to stop their cooperation on the markets over proposed oil-production cuts caused crude oil prices to fall sharply as the global industry continued to face an unprecedent oversupply and uncertainty in the demand.

Despite the operational challenges presented by COVID-19, the Company has remained substantially operational and continues to service its clients. The global pandemic coupled with the macro-economic uncertainty in the industry has caused the offshore drilling exploratory projects to be postponed rather than cancelled, including those projects involving services offered by the Company. The scale and duration of these developments remain uncertain; however, this is expected to negatively impact the Company's earnings and cash flows until the situation returns to normal.

The Company's objective is to preserve its liquidity and ensure that it continues to register positive EBITDA. The Company has immediately taken action to adapt its cost base through lower operating costs and delaying capital expenditure and expects to benefit from the Maltese government initiatives in relation to the COVID-19 outbreak. The Board shall continue to adopt a proactive approach to the current environment to maintain the continued viability of the Company.

Upon due consideration of the Company's performance and statement of financial position, capital adequacy and solvency, and taking into consideration the factors noted in the previous paragraph and Note 2.1 in the financial statements and the impact of a number of mitigating factors which are explained in that note, the directors confirm the Company's ability to continue operating as a going concern for the foreseeable future.

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2019

Financial reporting framework

On 1 January 2019, the directors resolved to use International Financial Reporting Standards (IFRSs) as adopted by the EU as the Company's accounting framework and consequently prepared the financial statements for the year ended 31 December 2019 in accordance with these accounting principles.

Approved by the Board of Directors on 3 June 2020 and signed on its behalf by:

Anthony S Diacono
Chairman

Joseph F X Zahra
Director

Registered Office

Port of Marsaxlokk
Birzebbugia
Malta

Medserv Operations Limited

Statement of Financial Position

As at 31 December 2019

	Note	2019	2018
		€	€
ASSETS			
Property, plant and equipment	12	**16,255,614**	16,746,784
Right-of-use assets	22	**57,103,468**	58,508,515
Deferred tax assets	11	**8,237,694**	8,581,508
Total non-current assets		**81,596,776**	83,836,807
Trade and other receivables	13	**8,014,938**	14,637,100
Contract assets	5	**541,917**	24,360
Cash at bank and in hand	14	**82,805**	107,548
Total current assets		**8,639,660**	14,769,008
Total assets		**90,236,436**	98,605,815

Medserv Operations Limited

Statement of Financial Position (continued)

As at 31 December 2019

	Note	**2019**	2018
		€	€
EQUITY			
Share capital	15	**232,940**	232,940
Parent company contribution	15	**13,074,410**	13,074,410
Revaluation reserve	15	**10,504,573**	10,763,556
Statutory reserve	15	**8,338,508**	8,338,508
Retained earnings/(accumulated losses)		**850,747**	(594,939)
Total equity		**33,001,178**	31,814,475
LIABILITIES			
Deferred income	16	**31,021,341**	31,796,873
Deferred tax liability	11	**5,656,337**	5,795,761
Lease liabilities	22	**10,043,290**	9,977,390
Amounts due to parent company	17	**2,076,541**	8,049,933
Loans and borrowings	18	**234,955**	548,989
Provision	19	**32,587**	32,961
Total non-current liabilities		**49,065,051**	56,201,907
Deferred income	16	**775,533**	875,533
Loans and borrowings	18	**314,040**	735,141
Trade and other payables	20	**3,355,754**	6,566,319
Bank overdraft	18	**3,708,591**	2,412,440
Provision	19	**16,289**	-
Total current liabilities		**8,170,207**	10,589,433
Total liabilities		**57,235,258**	66,791,340
Total equity and liabilities		**90,236,436**	98,605,815

The notes on pages 12 to 59 are an integral part of these financial statements.

The financial statements on pages 6 to 59 were approved and authorised for issue by the Board of Directors on 3 June 2020 and signed on its behalf by:

Anthony S Diacono
Chairman

Joseph F X Zahra
Director

Medserv Operations Limited

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 €	2018 €
Revenue	5	**13,768,304**	13,671,902
Cost of sales	7	**(11,290,479)**	(12,277,291)
Gross profit		**2,477,825**	1,394,611
Other income	6	**940,805**	878,318
Administrative expenses	7	**(2,100,146)**	(1,455,312)
Reversal of/(impairment) loss on financial assets	7, 21.4	**1,232,284**	(82,204)
Results from operating activities		**2,550,768**	735,413
Finance income	9	**-**	73
Finance costs	9	**(1,159,704)**	(1,179,909)
Net finance costs		**(1,159,704)**	(1,179,836)
Profit/(loss) before income tax		**1,391,064**	(444,423)
Tax expense	10	**(204,361)**	(786,279)
Profit/(loss) for the year		**1,186,703**	(1,230,702)
Total comprehensive income/(loss) for the year		**1,186,703**	(1,230,702)

The notes on pages 12 to 59 are an integral part of these financial statements.

Medserv Operations Limited

Statement of Changes in Equity

For the Year Ended 31 December 2019

	Share Capital €	Parent company contribution €	Revaluation reserve €	Statutory reserve €	Retained earnings/ (accumulated losses) €	Total equity €
Balance at 1 January 2018	232,940	13,074,410	11,022,539	9,297,326	732,466	34,359,681
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	(1,314,504)	(1,314,504)
Transfer	-	-	(258,983)	(958,818)	1,217,801	-
Total comprehensive income						
Loss	-	-	-	-	(1,230,702)	(1,230,702)
Balance at 31 December 2018	232,940	13,074,410	10,763,556	8,338,508	(594,939)	31,814,475
Balance at 1 January 2019	**232,940**	**13,074,410**	**10,763,556**	**8,338,508**	**(594,939)**	**31,814,475**
Transfer	**-**	**-**	**(258,983)**	**-**	**258,983**	**-**
Total comprehensive income						
Profit	**-**	**-**	**-**	**-**	**1,186,703**	**1,186,703**
Balance at 31 December 2019	**232,940**	**13,074,410**	**10,504,573**	**8,338,508**	**850,747**	**33,001,178**

The notes on pages 12 to 59 are an integral part of these financial statements.

Medserv Operations Limited

Statement of Cash Flows

For the Year Ended 31 December 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
Profit/(loss) for the year		**1,186,703**	(1,230,702)
Adjustments for:			
Depreciation	12, 22	**2,505,937**	2,897,593
Reversal of deferred income	6	**(775,533)**	(775,533)
Provision for discounted future gratuity payments	19	**15,915**	1,716
Gain on disposal of property, plant and equipment		**8,670**	-
Net impairment loss on trade and other receivables	21	**69,452**	100,932
Reversal of impairment on amounts owed by fellow subsidiaries	21	**(1,301,736)**	(27,073)
Exchange differences	6	**(1,448)**	(1,569)
Net finance costs	9	**1,159,704**	1,179,836
Deferred tax expense	10	**204,391**	786,279
		3,072,055	2,931,479
Changes in:			
Trade and other receivables		**259,153**	(233,747)
Contract assets		**(517,557)**	44,730
Trade and other payables		**289,768**	512,824
Related party balances		**(1,976,984)**	(2,576,167)
Cash generated from operating activities		**1,126,435**	679,119
Interest paid		**(169,030)**	(85,016)
Net cash from operating activities carried forward		**957,405**	594,103

Medserv Operations Limited

Statement of Cash Flows (continued)

For the Year Ended 31 December 2019

	Note	2019 €	2018 €
Net cash from operating activities brought forward		**957,405**	594,103
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	**(618,390)**	(196,336)
Cash used in investing activities		**(618,390)**	(196,336)
Cash flows from financing activities			
Repayment of bank loans		**(735,135)**	(1,119,382)
Interest paid on bank loans		**(36,523)**	(58,974)
Interest paid on funds advanced by parent		**(387,435)**	(458,130)
Payment of lease liabilities		**(500,816)**	(491,543)
Net cash used in financing activities		**(1,659,909)**	(2,128,029)
Net decrease in cash and cash equivalents		**(1,320,894)**	(1,730,262)
Cash and cash equivalents at 1 January		**(2,304,892)**	(574,630)
Cash and cash equivalents at 31 December	**14**	**(3,625,786)**	(2,304,892)

The notes on pages 12 to 59 are an integral part of these financial statements.

1 Reporting entity

Medserv Operations Limited (the "Company") is a limited liability company domiciled and incorporated in Malta.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta (the "Act")).

Going Concern

During the financial reporting period ended 31 December 2019, the Company registered operating results that were consistent with the set budget. With spending returning by the IOCs on the back of stronger oil prices, year 2019 was characterised by an upward trajectory in the global oil and gas upstream sector. This translated in continued improvement in the Company's results. The year 2019 was marked with a number of value propositions which have increased the underlying values of the Company's contracts.

The Company reported a positive adjusted EBITDA of €5.1 million (2018: €3.6 million) and generated operating cash inflows of €1 million (2018: €0.6 million). The profit after tax registered for the year amounted to €1.2 million (2018: loss of €1.2 million), the Company's net asset value amounts to €33 million (2018: €31.8 million) and it had positive working capital amounting to €0.5 million (2018: €4.2 million).

The impact of COVID-19 pandemic which broke out after the reporting date has disrupted the global economy, which in turn negatively impacted the performance of the Company's operations. At the same time, since the start of 2020, the oil and gas industry has been significantly affected by the macro-economic uncertainty with regards to prices and demand levels for hydrocarbons as a result of the COVID-19 pandemic.

Despite the operational challenges presented by COVID-19, the Company has remained operational and continued to service its customers. No offshore projects undertaken by the Company's customers have been cancelled. Nonetheless, a number of such projects were postponed. In addition, it is expected that the Company's customers would be impacted by the macro-economic uncertainty in the oil and gas industry.

The scale and duration of the COVID-19 pandemic and its impact on the Company remains uncertain; however, this is expected to negatively impact the Company's earnings and cash flows until the situation returns to normal.

2 Basis of preparation (continued)

2.1 Statement of compliance (continued)

Going Concern (continued)

During this period, the Company intends to continue to take appropriate measures to preserve liquidity and reduce its losses, with a view of continuing to register positive EBITDA and positive operating cash inflows. In this respect, management has prepared profit and cash flow forecasts under stressed COVID-19 scenarios covering the period up to December 2023 to assess the Company's liquidity position on a monthly basis. In preparing these projections, management has applied reasonably possible significant haircuts to contracted and pipeline revenue; and has also assumed postponement in the timing of delivery of services provided as a result of customers delays. The following mitigating actions have been built into management's profit and cash flow forecasts:

- The management team is taking actions to ensure that the Company's operations remain ongoing, with the lowest possible disruptions, through its business continuity plan;
- Immediate measures are being adopted to reduce costs. The Company has taken action to adapt its cost base through lower operating costs. This considering that a significant element of the Company's cost base relates to wages and salaries;
- The Company is, since March 2020, availing itself from a six-month moratorium on its bank loan. In the meantime, the Company has stepped up its credit management actions to shore up liquidity.

The Company's ability to continue as a going concern is also dependent on management's ability to identify additional sources of financing sufficient to fund ongoing operating expenses and commitments. As at the date of authorisation for issue of these financial statements, the cash reserves and unutilised bank overdraft facilities totalled to approximately €2.2 million.

In the event that customers do not settle their dues in a timely fashion and/or projects undertaken by customers are unduly delayed due to COVID-19 pandemic, the Company may be unable to secure the required additional financing. These circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to realise its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that could result should such scenario materialise.

On the basis of its projections, management determined that the Company should have sufficient liquidity throughout the period covered by the forecasts. Based on this scenario, but fully cognisant of the risks emanating from the COVID-19 pandemic outlined in this Note, and also considering the mitigating measures being taken by management as described above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2 Basis of preparation (continued)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for right-of-use assets which are measured at revalued amounts.

2.3 Functional and presentation currency

These financial statements are presented in Euro (€), which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgements and estimates that affect the application of Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 11 – recognition of deferred tax assets: availability of future taxable profit against which investment tax credits can be utilised; and

- Note 21 – measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate.

3 Significant accounting policies

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting period. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

3 Significant accounting policies (continued)

3.1.1 Foreign currency gains and losses

Foreign currency operating gains and losses are reported on a net basis within either "other income" or "other expenses" depending on whether foreign currency movement is in a net gain or net loss position. Other non-operating foreign currency gains and losses recognised in profit or loss are reported on a net basis as either "finance income" or "finance costs" depending on whether foreign currency movement is in a net gain or net loss position.

3.2 Financial instruments

3.2.1 Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.2.2 Classification and subsequent measurement

3.2.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.2 Classification and subsequent measurement (continued)

3.2.2.1 Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.2.2.2 Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3.2.2.3 Financial assets – 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. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.2 Classification and subsequent measurement (continued)

3.2.2.3 Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.2.2.4 Financial assets – Subsequent measurement and gains and losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company's financial assets comprise trade and other receivables, and cash and cash equivalents.

3.2.2.5 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.2.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.2.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3 Share capital

Share capital consists of ordinary shares that are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within “other income” or “other expenses” in profit or loss.

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

3.4.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 Depreciation

Deprecation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property developed and related improvements made on leased land are depreciated over the shorter of the land's lease term and the useful lives of the building and improvements unless it is reasonably certain that the Company will obtain ownership of the land by the end of the lease term.

Depreciation commences when the item is available for use.

The estimated useful lives for the current and comparative periods are as follows:

	2019 years	**2018 years**
• buildings and base improvements	10 - 48	10 - 48
• furniture and fittings	10	10
• office and computer equipment	5	5
• plant and equipment	15	8
• motor vehicles	4	4
• cargo carrying units	10	10
• photovoltaic farm	20	20

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3 Significant accounting policies (continued)

3.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the 'use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset when it:
    - has the right to operate the asset; or
    - designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

3.5.1 As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of–use assets varies between 40 and 42 years. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for certain remeasurements of the lease liability.

Subsequent to initial recognition, right-of-use assets that convey to the lessee rights over the use of land are revalued periodically, such that its carrying amount does not differ materially from that which would be determined using the fair value at the date of the statement of financial position. Any surpluses arising on revaluation are accounted for in terms of IAS 16 *Property, Plant and Equipment*, and thus credited to a revaluation reserve. Any deficiencies from decrease in value are deducted from this reserve to the extent that it is sufficient to absorb them, with any excess charged to profit or loss.

3 Significant accounting policies (continued)

3.5 Leases (continued)

3.5.1 As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property, and lease liabilities, separately in the statement of financial position.

3.6 Impairment

3.6.1 Financial assets

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost, namely trade and other receivables, amounts due from related parties, and cash at bank.

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

Financial instruments and contract assets (continued)

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for trade receivables without a significant financing component and contract assets at an amount equal to lifetime ECLs.

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. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company 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.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

Measurement of ECLs (continued)

ECLs are discounted at the effective interest rate of the financial asset. In the case of interest-free short-term financial assets, such as trade receivables, ECLs are not discounted.

Credit-impaired financial assets

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 the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

3.6.1.2 Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off on its financial assets based on whether there is a reasonable expectation of recovery and with reference to its historical experience of recoveries. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment. A financial asset was impaired if objective evidence indicated that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

3.6.1.2 Presentation of allowance for ECL in the statement of financial position (continued)

Write-off (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between an asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against receivables in the statements of financial position. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off against the financial asset directly. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.2 Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

3.7.1 Defined contribution plans

The Company contributes towards the State defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions to the defined contribution plan are recognised in profit or loss as incurred.

3.7.2 Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on German Government Bonds that have maturity dates approximating the terms of the Company's obligations.

3.8 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer.

3.8.1 Nature of goods and services

The Company is engaged in providing services and support to the offshore oil and gas industry and as such is involved in providing support services that span over a term. Services and support provided to the offshore oil and gas industry consists of integrated offshore logistics, engineering support services, mixing and storage of drilling fluids and waste management services. In this regard revenue is recognised and measured as follows:

Logistic support services

The Company performs and provides logistics services to international oil companies carrying out offshore drilling campaigns. The Company delivers fully integrated supply base services which connect all the elements of our clients' logistics and materials management activities. Logistics support services include provision of equipment, personnel, warehousing, quays and land in a certified facility aimed at supporting offshore oil and gas drilling activities.

3 Significant accounting policies (continued)

3.8 Revenue (continued)

3.8.1 Nature of goods and services (continued)

Logistic support services (continued)

Shore base logistics have been identified as a series of distinct services transferred to the customer in the same pattern, on the basis that both of the following criteria are met:

- each distinct service in the series is satisfied over time; and
- has a single method of measuring progress.

As the customer simultaneously receives and consumes all of the benefits provided by the entity as the Company performs, this is a routine or recurring service and thus revenue is recognised over time.

Engineering services

The Company through its engineering division carries out a full range of essential, non-critical engineering and technical services for the offshore platforms and drilling rigs. Services range from fabric maintenance, corrosion protection, riser inspection services, rig repair, technical services and general fabrication and maintenance. Engineering services have been identified as a bundle of distinct goods or services that form one single obligation.

As the Company's performance creates or enhances an asset that the customer controls as the asset is created, revenue is recognised over time.

Supply of goods

The Company is involved in procuring various goods and supplies to its customers for use on the offshore rigs and their supply vessels. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer.

Delivery occurs when the goods have been shipped to the specific location or loaded onto the client's vessel, the risks and rewards have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. Generally, for such goods, the customer has no right of return.

Therefore, revenue from supply of goods is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before payment is due.

3 Significant accounting policies (continued)

3.8 Revenue (continued)

3.8.1 Nature of goods and services (continued)

Supply of electricity

The Company derives part of its revenue from the sale of solar generated electricity based on long term Feed-in-Tariffs. The photovoltaic income has been identified as a series of distinct services transferred to the customer in the same pattern, on the basis that both of the following criteria are met:

- each distinct service in the series is satisfied over time; and
- has a single method of measuring progress.

As the customer simultaneously receives and consumes all of the benefits provided by the entity as the Company performs, this is a routine or recurring service and thus revenue is recognised over time.

3.8.2 Determining transaction price and allocation to performance obligations

The Company's amount of consideration which it expects to be entitled to in exchange for transferring of services to a customer is determined on a per-service usage basis and is payable in accordance with customary payment terms. Accordingly, a transaction price is determined separately for each performance obligation.

3.9 Finance income and finance costs

Finance income comprises interest income recognised on financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.10 Government grants

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

Government grants related to assets, including non-monetary grants, are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss on a systematic basis over the useful life of the asset and presented as a deduction from the amortization cost of the related asset.

3.11 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3 Significant accounting policies (continued)

3.11 Income tax (continued)

3.11.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any. Current tax assets and liabilities are offset only if certain criteria are met.

3.11.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the Company's business plan. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business – Amendments to IFRS 3.
- Definition of Material – Amendments to IAS 1 and IAS 8.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform.

5 Revenue

Revenue is stated after deduction of sales rebates and indirect taxes and represents revenue from logistical support and other services and income from the photovoltaic farm. The following tables disaggregate revenue by major service lines, timing of revenue recognition and the primary geographical market where the service is performed.

5.1 Category of activity

	2019	2018
	€	€
Shore base logistics services	**9,784,762**	9,489,581
Fabric maintenance, dredging and engineering services	**727,127**	1,202,674
Supply of goods	**2,771,690**	2,507,745
Photovoltaic income	**484,725**	471,902
	13,768,304	13,671,902

	2019	2018
	€	€
Timing of revenue recognition		
Transferred over time	**10,996,614**	11,164,157
Point in time	**2,771,690**	2,507,745
	13,768,304	13,671,902

5 Revenue (continued)

5.2 Primary geographical markets

	2019	2018
	€	€
Malta	**13,768,304**	13,671,902

5.3 Contract balances

The following table provides information about receivables and contract assets from contracts with customers.

	2019	2018
	€	€
Trade receivables, which are included in 'Trade and other receivables'	**7,057,746**	7,470,669
Contract assets	**541,917**	24,360

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on 31 December 2019. The contract assets are transferred to receivables when the rights become unconditional.

6 Other income

		2019	2018
	Note	€	€
Operating exchange gain		**2,392**	2,785
Unrealised operating exchange gain		**54,194**	-
Reversal of deferred income	16	**775,533**	775,533
Government grant	11.3	**100,000**	100,000
Other income		**8,686**	-
		940,805	878,318

7 Expenses by nature

7.1

	Note	2019 €	2018 €
Direct cost of services		**6,380,386**	7,020,589
Employee benefits	8	**2,500,180**	2,201,366
Depreciation	12, 22	**2,505,937**	2,897,593
Professional fees		**604,424**	442,954
Travelling and telecommunications		**272,786**	138,739
Repairs and maintenance		**324,177**	312,736
Insurance		**210,079**	160,277
Staff welfare		**159,407**	123,354
Security services		**154,914**	153,191
Other		**278,335**	281,804
Total cost of sales and administrative expenses		**13,390,625**	13,732,603

7.2 Administrative expenses include auditors' remuneration amounting to €56,850.

7.3 The reversal of the impairment loss on financial assets amounting to €1,232,284 relates to impairment losses recognised in previous years on the amounts receivable from fellow subsidiaries as these amounts were assigned to the parent company and netted off against the amounts payable to the parent company during the year. See notes 13.2, 17 and 20.2.

8 Personnel expenses

Personnel expenses incurred by the Company during the year are analysed as follows:

	2019 €	2018 €
Directors' emoluments:		
Salaries	**513,519**	464,220
Fees	**99,000**	90,000
	612,519	554,220
Wages and salaries	**4,114,634**	2,771,578
Social security contributions	**191,178**	179,536
Maternity funds	**5,929**	5,568
	4,924,260	3,510,902
Recharged to fellow subsidiaries and parent company	**(2,424,080)**	(1,309,536)
	2,500,180	2,201,366

8 Personnel expenses (continued)

The weekly average number of persons employed by the Company during the year was as follows:

	2019 No.	2018 No.
Operating	**77**	78
Management and administration	**15**	22
	93	100

9 Finance income and finance costs

	2019 €	2018 €
Unrealised non-operating exchange gains	**-**	73
Finance income	**-**	73
Interest payable on bank loan	**(36,523)**	(58,974)
Other bank interest payable	**(169,030)**	(85,016)
Interest payable on parent company loan	**(387,435)**	(473,244)
Interest cost on lease liabilities	**(566,716)**	(562,675)
Finance costs	**(1,159,704)**	(1,179,909)
Net finance costs	**(1,159,704)**	(1,179,836)

10 Tax expense

10.1 Amounts recognised in profit or loss

	Note	2019 €	2018 €
Deferred tax movement			
Origination and reversal of temporary differences	11.2	**(204,361)**	(786,279)

10 Tax expense

10.2 The tax expense for the year and the result of the accounting loss multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	2019	2018
	€	€
Profit/(loss) before tax	**1,391,064**	(444,423)
Income tax using the domestic income tax rate 35%	**(486,872)**	155,548
Tax effect of:		
Investment tax credits	**(402)**	(958,818)
Disallowed expenses	**282,913**	16,991
Tax expense	**(204,361)**	(786,279)

10.3 The Company is eligible for the incentives provided by regulations 5, 31 and 32 of the Business Promotion Regulations, 2001 ("BPRs") and regulation 4 of the Investment Aid Regulations ("IARs") (see note 11.3).

11 Deferred tax assets and liabilities

11.1 Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2019	2018	**2019**	2018	**2019**	2018
	€	€	**€**	€	**€**	€
Property, plant and equipment	**-**	-	**(1,431,387)**	(1,052,485)	**(1,431,387)**	(1,052,485)
Provision for discounted future gratuity payments	**17,046**	11,476	**-**	-	**17,046**	11,476
Provision for doubtful debts	**381,933**	335,025	**-**	-	**381,933**	335,025
Provision for exchange fluctuations	**(13,790)**	5,178	**-**	-	**(13,790)**	5,178
Investment tax credits	**8,339,822**	8,339,822	**-**	-	**8,339,822**	8,339,822
Unabsorbed capital allowances and unutilised tax losses	**629,917**	732,283	**-**	-	**629,917**	732,283
Lease liabilities	**3,515,152**	3,492,086	**-**	-	**3,515,152**	3,492,086
Right-of-use assets	-	-	**(8,857,307)**	(9,077,638)	**(8,857,307)**	(9,077,638)
Tax assets/(liabilities)	**12,870,080**	12,915,870	**(10,288,694)**	(10,130,123)	**2,581,386**	2,785,747
Set-off of tax	**(4,632,386)**	(4,334,362)	**4,632,386**	4,334,362	**-**	-
Net tax assets/(liabilities)	**8,237,694**	8,581,508	**(5,656,337)**	(5,795,761)	**2,581,386**	2,785,747

11 Deferred tax assets and liabilities (continued)

11.2 Movement in temporary differences

2019

	Balance 01.01.19	Recognized in profit and loss 2019	Balance 31.12.19
	€	€	€
Property, plant and equipment	(1,052,485)	(378,902)	(1,431,387)
Provision for discounted future gratuity payments	11,476	5,571	17,047
Provision for doubtful debts	335,025	46,908	381,933
Provision for exchange fluctuations	5,178	(18,968)	(13,790)
Investment tax credits	8,339,822	-	8,339,822
Unabsorbed capital allowances and unutilized tax losses	732,283	(102,366)	629,917
Right-of-use assets	(9,077,638)	220,331	(8,857,307)
Lease liabilities	3,492,086	23,065	3,515,151
	2,785,747	(204,361)	2,581,386

2018

	Balance 01.01.18	Recognized in profit and loss 2018	IFRS 9 adjustment at 01.01.18 2018	Balance 31.12.18
	€	€	€	€
Property, plant and equipment	(904,629)	(147,856)	-	(1,052,485)
Provision for discounted future gratuity payments	10,936	540	-	11,476
Provision for doubtful debts	2,921	38,247	293,857	335,025
Provision for exchange fluctuations	5,712	(534)	-	5,178
Investment tax credits	9,298,640	(958,818)	-	8,339,822
Unabsorbed capital allowances and unutilized tax losses	695,367	36,916	-	732,283
Right-of-use assets	(9,297,968)	220,330	-	(9,077,638)
Lease liabilities	3,467,190	24,896	-	3,492,086
	3,278,169	(786,279)	293,857	2,785,747

11 Deferred tax assets and liabilities (continued)

11.3 Recognition of deferred tax asset on investment tax credits

As at 31 December 2019, a deferred tax asset of €8,339,822 (2018: €8,339,822) was recognised in the financial statements to the extent of investment tax credits expected to be utilised in the future. Based on the Company's profit forecasts for the foreseeable period, and with reference to historical taxable profits and trading levels registered in the past years, the directors believe that the Company will have sufficient taxable profits in the future against which this deferred tax asset can be utilised.

These profit forecasts were based on realistic assumptions of business growth, including the expected volume of business arising from maintenance projects and the provision of logistic support services to the offshore oil and gas industry during the forecast period. Historic values of similar projects were used to support and quantify the net result of the future projects and services. The extent of utilization of the investment tax credits was based on the assumption that the profit forecasts will be subject to the current tax rate of 35%. During 2018, the Company was granted the sum of €200,000 in settlement of unutilised investment tax credits awarded in relation to the Special Tax Credits (STCs) in terms of regulations 31 to 35 of the BPRs that are available to beneficiaries in terms of regulation 32 of the BPRs. This amount was payable in two equal instalments over 2 years. The first instalment was received in 2018 and the second instalment received in 2019 is being recognised in other income (see note 6). The investment tax credits are available in terms of regulation 5 of the BPRs and regulation 4 of the IARs.

None of the investment tax credits, unutilised tax losses and unabsorbed capital allowance are subject to an expiration date.

11.4 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of:

- Investment tax credits, unutilised tax losses and temporary differences amounting to €1.1 million generated during the year, because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom; and

- STCs amounting to €0.9 million available to the Company in view of limitations in the carry forward period.

12 Property, plant and equipment

12.1

	Buildings	Plant and equipment	Furniture and fittings	Office and computer equipment	Motor vehicles	Cargo carrying units	Photovoltaic farm	Total
	€	€	€	€	€	€	€	€
Cost								
Balance at 01.01.18	12,388,009	6,123,275	836,849	666,725	410,879	1,484,544	3,838,204	25,748,485
Acquisitions	52,733	85,840	46,893	10,864	-	-	-	196,330
Balance at 31.12.18	12,440,742	6,209,115	883,742	677,589	410,879	1,484,544	3,838,204	25,944,815
Balance at 01.01.19	**12,440,742**	**6,209,115**	**883,742**	**677,589**	**410,879**	**1,484,544**	**3,838,204**	**25,944,815**
Acquisitions	**328,449**	**133,727**	**105,393**	**50,821**	**-**	**-**	**-**	**618,390**
Disposals	**-**	**(26,850)**	**-**	**-**	**(5,500)**	**-**	**-**	**(32,350)**
Balance at 31.12.19	**12,769,191**	**6,315,992**	**989,135**	**728,410**	**405,379**	**1,484,544**	**3,838,204**	**26,530,855**
Depreciation								
Balance at 01.01.18	2,138,794	3,153,410	349,007	510,938	357,871	500,295	695,170	7,705,485
Charge for the year	242,841	709,405	80,113	73,410	39,583	148,454	198,740	1,492,546
Balance at 31.12.18	2,381,635	3,862,815	429,120	584,348	397,454	648,749	893,910	9,198,031

12 Property, plant and equipment (continued)

12.1 (continued)

	Buildings €	Plant and equipment €	Furniture and fittings €	Office and computer equipment €	Motor vehicles €	Cargo carrying units €	Photovoltaic farm €	Total €
Balance at 01.01.19	**2,381,635**	**3,862,815**	**429,120**	**584,348**	**397,454**	**648,749**	**893,910**	**9,198,031**
Charge for the year	**237,793**	**369,189**	**87,912**	**47,347**	**11,455**	**148,454**	**198,740**	**1,100,890**
Disposals	**-**	**(18,180)**	**-**	**-**	**(5,500)**	**-**	**-**	**(23,680)**
Balance at 31.12.2019	**2,619,428**	**4,213,824**	**517,032**	**631,695**	**403,409**	**797,203**	**1,092,650**	**10,275,241**
Carrying amounts								
At 1 January 2018	10,249,215	2,969,865	487,842	155,788	53,008	984,249	3,143,034	18,042,994
At 31 December 2018	10,059,107	2,346,300	454,622	93,241	13,425	835,795	2,944,294	16,746,784
At 31 December 2019	**10,149,763**	**2,102,168**	**472,103**	**96,715**	**1,970**	**687,341**	**2,745,554**	**16,255,614**

12.2 The Company's buildings are constructed on land held under title of temporary emphyteusis from Malta Freeport Corporation Limited for a period up to 29 May 2045. On 5 December 2012, the Company entered into a lease agreement with Malta Freeport Corporation Limited which extended the right of use of the said land until 29 May 2060 (see note 22.1).

12 Property, plant and equipment (continued)

12.3 Security

At 31 December 2019, the Company's emphytheutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to note 22) were subject to a general hypothec and a special hypothec in relation to the notes issued by the Company's parent during the current and comparative years and bank borrowings (refer to note 18).

12.4 Change in estimates

During 2019, the Company determined that the useful life of certain items of equipment, in particular the heavy lifting machinery, should increase from eight years to fifteen years in light of its preventive maintenance program and Health, Safety, Security, Environment & Quality (HSSEQ) standards in place.

The effect of these changes on the expected annual depreciation expense included in 'cost of sales', was as follows:

	2019	2020	2021	2022	2023	Later
	€	€	€	€	€	€
(Decrease)/increase in depreciation expense	**(240,497)**	(236,785)	(213,635)	(193,044)	(107,157)	609,701

13 Trade and other receivables

13.1	**2019**	2018
	€	€
Trade receivables	**7,057,746**	7,470,669
Amounts owed by fellow subsidiaries	**74,754**	6,367,501
Other receivables	**419,692**	458,082
Prepayments	**462,746**	340,848
	8,014,938	14,637,100

13.2 During the year, amounts owed by fellow subsidiaries totalling to €9,084,070 were assigned to the parent company. Amounts owed by fellow subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 24 to these financial statements.

13.3 The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 21.

14 Cash and cash equivalents

	Note	2019 €	2018 €
Cash in hand		**31,990**	25,273
Bank balances		**50,815**	82,275
Cash at bank and in hand		**82,805**	107,548
Bank overdrafts used for cash management purposes	18	**(3,708,591)**	(2,412,440)
Cash and cash equivalents at 31 December		**(3,625,786)**	(2,304,892)

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

15 Capital and reserves

15.1 Share capital

	Ordinary shares	
	2019	2018
	No.	No.
In issue at 1 January - fully paid	**100,001**	100,001
In issue at 31 December – fully paid	**100,001**	100,001

The Company's authorised share capital comprised 500,000 shares of €2.329373 each (2018: 500,000 ordinary shares of €2.329373 each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

15.2 Parent company contribution

The loan from the parent company is unsecured, interest-free and has no fixed repayment date. The loan is subject to the company's option to convert to share capital at the option of the Company.

15.3 Statutory reserve

The statutory reserve is not distributable and comprises transfers of amounts equivalent to unrealised gains in accordance with the requirements of the Companies Act, 1995 (Chapter 386, Laws of Malta). As at 31 December 2019, the balance in this reserve represented the deferred tax asset recognised in respect of investment tax credits available to the Company as at that date.

15 Capital and reserves (continued)

15.4 Revaluation reserve

The revaluation reserve relates to the revaluation net of tax of the right-of-use assets at the reporting date consisting of land held from emphyteutical grant (see note 22). The transfer during the year to retained earnings represents the depreciation on the increase of the revalued amount, net of tax.

15.5 Availability of reserves for distribution

	2019	2018
	€	€
Distributable	**850,747**	-
Non-distributable	**18,843,081**	18,507,125
	19,693,828	18,507,125

16 Deferred income

During 2012, the Company was awarded an extension of property rights over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. These property rights, which comprise land and the overlying buildings and facilities, emanate from the emphyteutical grant deeds, a lease agreement as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited. The award was conditional on the Company investing €9 million in improvements to the underlying property and reaching employment levels of 90 full time equivalents by the year 2045. Both conditions were fulfilled by 31 December 2014.

This deferred income is being recognised in profit or loss over the remaining period of the emphytheutical grant. The amount recognised in profit or loss during 2019 was equal to €775,533 (2018: €775,533). In 2018, deferred income included an amount of €100,000 awarded in settlement of unutilised special tax credits.

17 Amounts due to parent company

The amounts due to the parent company are unsecured and repayable after more than one year. These amounts comprise:

	Currency	Nominal interest rate	Year of maturity	2019	2018
				€	€
Unsecured loan	EUR	6.00%	2022	**1,135,271**	3,683,704
Unsecured loan	EUR	6.00%	2023	**-**	3,424,959
Unsecured loan	EUR	4.50%	2026	**941,270**	941,270
				2,076,541	8,049,933

17 Amounts due to parent company (continued)

The unsecured loan with nominal interest rate of 6% maturing in 2023 and part of the unsecured loan with nominal interest of 6% maturing in 2022 were set-off against the amounts owed by parent company, following the assignment of the receivable balances from fellow subsidiaries during 2019. See note 13.2.

Transactions with related parties are set out in note 24 to these financial statements.

18 Loans and borrowings

18.1 This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. Refer to note 21 for more information about the Company's exposure to interest rate, foreign currency and liquidity risk.

	2019	2018
	€	€
Non-current liabilities		
Secured bank loans	**234,955**	548,989
Current liabilities		
Secured bank loans	**314,040**	735,141
Bank overdrafts	**3,708,591**	2,412,440
	4,022,631	3,147,581

18.2 Terms and debt repayment schedule

The terms and conditions of outstanding loans are as follows:

As at 31 December 2019

	Original currency	**Carrying amount**	**Nominal interest rate**	**Year of maturity**
Bank loan	EUR	€548,995	Bank's base rate + 3.00%	2021

As at 31 December 2018

	Original currency	**Carrying amount**	**Nominal interest rate**	**Year of maturity**
Bank loan	EUR	€826,490	Bank's base rate + 3.00%	2021
Bank loan	USD	€457,640	LIBOR + 3.5%	2019

18 Loans and borrowings (continued)

18.2 Terms and debt repayment schedule (continued)

The bank loan and overdraft facilities are secured by second general hypothec for €7,500,000 on overdraft basis over all present and future assets with prior charges in favour of bond holders of the €20 million 6% Bond Issue ISIN number MT0000311218; second special hypothec for €7,500,000 on overdraft basis over temporary utile dominium of Medserv site and property of Malta Freeport with prior charges in favour of bond holders of the €20 million 6% Bond Issue ISIN number MT0000311218; joint and several guarantee of €2,169,574, pledge on receivables, guarantee for €12,270,000 given by the parent company to secure all liabilities; first pledge over a combined business policy for €8,568,381 and pledge of insurance cover over purchased equipment for €1,334,000, a letter of undertaking given by the shareholders that Mr Anthony J Duncan and Mr Anthony S Diacono will directly or indirectly retain control and hold more than 51% of the issued capital; letter of undertaking by the parent company whereby it undertakes to maintain the present level of its control and interest in the Company through its shareholding throughout the duration of the facilities, and a letter of undertaking by the parent company whereby it undertakes not to declare dividends or pay shareholders' loans without the bank's written consent.

Furthermore, as at 31 December 2019, the Company enjoyed general overdraft facilities of €4,250,000 (2018: €3,000,000) at the following terms and conditions:

Bank overdraft	Nominal Interest rate	Security
2019:		
€3,500,000	5.35% (bank base rate + 3%)	Second general and special Hypothec on Company's assets.
€750,000	5.15% (bank base rate + 3%)	Joint and several guarantees for €1,500,000 by the parent company.
2018:		
€2,500,000	5.35% (bank base rate + 3%)	Second general and special Hypothec on Company's assets.
€500,000	5.15% (bank base rate + 3%)	Joint and several guarantees for €1,500,000 by the parent company.

At 31 December 2019, the Company had unutilised bank overdraft facilities by €541,409 (2018: €587,560).

19 Provision

This provision relates to gratuities relating to the Company's obligation to effect ex-gratia payments to a number of its retiring employees according to the Collective Agreement with the employees' union.

20 Trade and other payables

20.1

	2019	2018
	€	€
Trade payables	**2,224,225**	2,380,483
Amounts due to related parties:		
Parent company	**-**	3,899,735
Other related companies	**300,643**	-
Accruals	**806,828**	286,101
Other payables	**24,058**	-
	3,355,754	6,566,319

20.2 The amounts due to parent company was set-off against the amounts owed by parent company following the assignment of receivables from fellow subsidiaries during 2019. See note 13.2.

20.3 Amounts due to related parties are all unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 24 to these financial statements.

20.4 The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 21.

21 Financial instruments – Fair values and risk management

21.1 Accounting classifications and fair values

Accounting classifications

The Company classifies non-derivative financial assets and non-derivative financial liabilities into the categories of 'amortised cost' and 'other financial liabilities', respectively. At reporting date, the Company's financial assets at amortised cost comprised cash and cash equivalents and trade and other receivables. The Company's non-derivative financial liabilities comprised loans and borrowings, bank overdrafts and trade and other payables.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible.

21 Financial instruments – Fair values and risk management (continued)

21.1 Accounting classifications and fair values (continued)

Significant valuation issues are reported to the parent company's audit committee.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuations techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company did not have any financial instruments measured at fair value in the current and comparative year.

Fair value information of financial instruments not measured at fair value are as follows:

Amortised cost

This category of assets is reported net of impairment allowances to reflect the estimated recoverable amounts. Cash and cash equivalents and trade and other receivables are all short-term in nature. The carrying amounts of these financial assets therefore approximate their fair values.

Secured bank loans and non-current amounts due to parent company

The fair values of the Company's interest-bearing borrowings and loans are determined by using the discounted cash-flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Other financial liabilities

This category of liabilities is carried at amortised cost. The carrying value of these liabilities which are short term in nature, approximates their fair values.

21 Financial instruments – Fair values and risk management (continued)

21.2 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The information presented in this note should be read in conjunction with the commentary in the Directors' Report under "Principal risks and uncertainties".

21.3 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Financial Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The parent company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The parent company's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

21.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's bank balances, trade receivables, and amounts due from related parties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, as follows:

21 Financial instruments – Fair values and risk management (continued)

21.4 Credit risk (continued)

Exposure to credit risk (continued)

		Carrying amount	
		2019	2018
Carrying amount	**Note**	**€**	€
Trade and other receivables and contract assets	5, 13	**8,094,109**	14,320,612
Cash at bank	14	**50,815**	82,275
		8,144,924	14,402,887

Impairment losses on financial assets recognised in profit or loss were as follows.

	2019	2018
	€	€
Impairment loss on trade and other receivables	**573,322**	109,277
Impairment loss on amounts receivable from fellow subsidiaries	**-**	261,105
Reversal of impairment loss on trade and other receivables	**(503,870)**	-
Reversal of impairment loss on amounts receivable from fellow subsidiaries	**(1,301,736)**	(288,178)
	(1,232,284)	82,204

Trade receivables and contract assets

The Company offers logistical services to large customers operating within the oil and gas industry. These customers operate huge budgets and historically have sufficient funds to meet their obligations towards the Company.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Through the Financial Risk Management Committee, the Company has an internal control system which identifies at an early stage any events of default. Most of the Company's customers have been transacting with the Company for a number of years, and losses rarely occur. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, aging profile, maturity, trade history with the Company and existence of previous financial difficulties.

21 Financial instruments – Fair values and risk management (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

As at 31 December 2019, the Company's three (2018: three) significant customers accounted for €5.85 million (2018: €6.9 million) of the trade receivables.

As at 31 December 2019, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Carrying amount	
	2019	2018
	€	€
Carrying amount		
Domestic	**196,178**	191,225
EU countries	**1,037,853**	845,694
Libya	**5,484,723**	5,985,102
Other	**880,909**	473,008
	7,599,663	7,495,029

A summary of the Company's exposure to credit risk for trade receivables and contract assets is as follows:

	2019	2018
	€	€
Not-credit impaired		
External credit ratings at least Baa3 from Standard & Poor's or BBB- from Moody's	**2,125,549**	1,397,042
Other customers:		
- Four or more years' trading history with the Company	**5,742,957**	5,982,338
- Less than four years' trading history with the Company	**749,477**	184,805
- Higher risk	**-**	879,712
Total gross carrying amount	**8,617,983**	8,443,897
Loss allowance	**(1,018,320)**	(948,868)
Carrying amount	**7,599,663**	7,495,029

21 Financial instruments – Fair values and risk management (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for customers

The Company uses different provisioning matrices to measure the ECLs of trade receivables:

- Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for *exposures by different type of customer.*
- Specific provisions for internally and externally rated customers.

Loss rates are based on actual credit loss experience over the past 5 years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2019.

31 December 2019	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
Current (not past due) and <30 days past due	**5.43%**	**4,031,152**	**(219,086)**	**No**
Past due 31 to 60 days	**38.14%**	**172,247**	**(65,691)**	**No**
Past due 61 to 90 days	**39.81%**	**130,925**	**(52,115)**	**No**
Past due > 90 days	**47.09%**	**987,227**	**(464,837)**	**No**
		5,321,551	**(801,729)**	

21 Financial instruments – Fair values and risk management (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for customers (continued)

31 December 2019

Equivalent to external credit rating	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
Externally rated				
A	**0.04%**	**401,715**	**(166)**	**No**
B	**3.61%**	**292,273**	**(10,545)**	**No**
BB	**0.38%**	**524,634**	**(2,003)**	**No**
BBB	**0.14%**	**900,440**	**(1,256)**	**No**
Internally rated				
Equivalent to CCC/C	**10.47%**	**1,088,699**	**(113,949)**	**No**
Equivalent to DDD/D	**100.00%**	**88,672**	**(88,672)**	**Yes**
		3,296,433	**(216,591)**	

In 2018, loss rates calculated using a sales approach were based on actual credit loss experience over the past four years, which after being multiplied by scalar factors to take cognisance of current and future economic conditions resulted in a loss rate of 4.25% resulting in an ECL of €109,277 on total exposures of €7.6 million as at 31 December 2018.

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	2019	2018
	€	€
Balance at 1 January	**948,868**	847,936
Reversal of amounts written off	**-**	(8,345)
Net remeasurement of loss allowance	**69,452**	109,277
Balance at 31 December	**1,018,320**	948,868

21 Financial instruments – Fair values and risk management (continued)

21.4 Credit risk (continued)

Cash and cash equivalents

The Company held cash and cash equivalents of €50,815 as at 31 December 2019 (2018: €82,275). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB to B2, based on ratings by Moody's.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

	At amortised cost	
	2019	2018
	€	€
B2	**14,516**	34,656
BBB	**36,299**	47,619
Gross carrying amounts	**50,815**	82,275
Loss allowance	**-**	-
Carrying amount	**50,815**	82,275

Amounts due by fellow subsidiaries

During the year, no impairment was accounted for on the amounts owed by fellow subsidiaries (2018: €261,105). In addition, the Company reversed an impairment loss of €1,301,736 (2018: €288,178) during the year.

21.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company regularly reviews the costing of its services in its effort to monitor its cash flow requirements.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the next 60 days, including the servicing of financial obligations. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2019, the Company had unutilised overdraft facilities by €541,409 (2018: underutilised €587,560), which bear interest at the Bank's Base Rate plus 3 per cent.

21 Financial instruments – Fair values and risk management (continued)

21.5 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	5-10 years	More than 10 years
	€	€	€	€	€	€	€
31 December 2019							
Non-derivative financial liabilities							
Amounts due to parent company	**2,076,541**	**(2,529,888)**	**(97,341)**	**(109,112)**	**(2,323,435)**	-	-
Secured bank loans	**548,995**	**(575,740)**	**(314,040)**	**(261,700)**	-	-	-
Bank overdraft	**3,708,591**	**(3,907,001)**	**(3,907,001)**	-	-	-	-
Lease liability	**10,043,290**	**(28,014,133)**	**(524,868)**	**(528,515)**	**(1,639,742)**	**(2,897,811)**	**(22,423,197)**
Trade and other payables	**3,355,754**	**(3,355,754)**	**(3,355,754)**	-	-	-	-
	19,733,171	**(38,382,516)**	**(8,199,004)**	**(899,327)**	**(3,963,177)**	**(2,897,811)**	**(22,423,197)**
31 December 2018							
Non-derivative financial liabilities							
Amounts due to parent company	11,949,668	(14,134,777)	(4,357,893)	(458,215)	(8,292,652)	(1,026,017)	-
Secured bank loans	1,284,130	(1,360,118)	(784,378)	(314,040)	(261,700)	-	-
Bank overdraft	2,412,440	(2,541,506)	(2,541,506)	-	-	-	-
Lease liability	9,977,390	(28,531,688)	(517,556)	(524,868)	(1,612,643)	(2,854,177)	(23,022,444)
Trade and other payables	6,566,319	(6,566,319)	(6,566,319)	-	-	-	-
	32,189,947	(53,134,408)	(14,767,652)	(1,297,123)	(10,166,995)	(3,880,194)	(23,022,444)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

21 Financial instruments – Fair values and risk management (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

21.6.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the Company's functional currency.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by maintaining funds in bank accounts denominated in the same foreign currencies. This will enable the Company to hold on to foreign currency when rates are not favourable until the situation reverses.

The Company is exposed to market price risk arising from the uncertainty about the future prices of derivatives held by the Company that are classified in the statement of the financial position as financial assets at fair value through profit or loss.

Exposure to Currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts in foreign currency:

	31 December 2019	31 December 2018
	USD	USD
Trade and other receivables	**9,662**	9,662
Secured bank loan	**-**	(523,446)
Funds in foreign currency	**32,634**	22,298
Net exposure	**42,296**	(491,486)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2019	2018	**2019**	2018
USD	**1.1113**	1.180	**1.1234**	1.144

21 Financial instruments – Fair values and risk management (continued)

21.6 Market risk (continued)

21.6.1 Currency risk (continued)

Exposure to Currency risk (continued)

A 10 percent strengthening of the Euro against the following currencies at 31 December would have increased / (decreased) profit or loss and equity by the pre-tax amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss	Equity
	€	**€**
31 December 2019		
USD	**(4,230)**	**(4,230)**
31 December 2018		
USD	49,149	49,149

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

21.6.2 Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2019	2018
	€	€
Variable rate instruments		
Financial assets	**50,815**	82,275
Financial liabilities	**(4,257,586)**	(3,696,572)
Fixed rate instruments		
Financial liabilities	**(2,076,541)**	(8,049,933)

21 Financial instruments – Fair values and risk management (continued)

21.6 Market risk (continued)

21.6.2 Interest rate risk (continued)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

The Company's bank balances and borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. The Company does not carry out any hedging in order to hedge its interest rate risk exposure.

A change of 100 basis points in interest rates at the reporting date, would have increased / (decreased) profit or loss (and equity) by the pre-tax amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2018.

A change of 100 basis points in interest rates on variable rate instruments would have increased or decreased the Company's profit and loss and equity by €42,068 (2018: €36,143).

21.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

21 Financial instruments – Fair values and risk management (continued)

21.8 Capital management

The Company defines capital as paid-in capital stock, additional paid-in capital, parent company loan and retained earnings, both appropriated and unappropriated.

The directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The directors also monitor the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the board of directors.

There were no changes in the Company's approach to capital management during the year.

22 Leases

22.1 As a lessee

The Company leases a quay, premises and ancillary facilities at Malta Freeport, Kalafrana and premises at Hal Far Industrial Estate under separate operating leases. The lease at Malta Freeport, Kalafrana runs for a period of forty-seven and a half years from 5 December 2012. This lease has been granted to the Company under title of temporary emphyteusis. The lease at Hal Far Industrial Estate runs for a period of ten years from 20 October 2014 with the option exercisable by the Company to extend the lease for three further periods of ten years each.

Information about leases for which the Company is a lessee is presented below.

22.1.1 Right-of-use assets

	Land	
	2019	2018
	€	€
Balance at 1 January	**58,508,515**	59,913,562
Depreciation charge for the year	**(1,405,047)**	(1,405,047)
Balance at 31 December	**57,103,468**	58,508,515

22 Leases (continued)

22.1 As a lessee (continued)

22.1.1 Right-of-use assets (continued)

22.1.1.1 Revaluation of land held from emphyteutical grant

The Company carries out a fair value exercise to revalue the property rights over the land that it holds on a regular basis. The property rights held by the Company over industrial property forming part of the Malta Freeport Terminals at the Port of Marsaxlokk and at Hal Far Industrial Estate in Malta were valued by an external valuer.

The property rights of the Company at the Malta Freeport Terminals, which comprise industrial land and the overlying buildings and facilities, emanate from the emphyteutical grant deeds dated 29 May 1997, 23 December 1999 and 22 June 2004, the lease agreement dated 5 December 2012 as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited on the 5 December 2012. The property rights of the Company at Hal Far Industrial Estate, which comprise two adjacent plots of industrial land, emanate from the lease agreements. The valuation of all these property rights was carried out on the basis of Market Value on the assumption that the property rights could be sold subject to any existing third-party obligations.

The Board of Directors has re-assessed the fair value of property rights over the land that the Company holds as of 31 December 2019, determined by reference to an opinion provided by independent professional valuer. The determination of fair value considers publicly available data and comparable recent market transactions on an arm’s length basis, together with the analysis and experience of the local real estate market and information provided by the Company.

On this basis, the Directors concluded that the carrying amount of the above-mentioned right-of-use assets of €57,103,468 approximates the fair value at the reporting date and that accordingly no adjustment is required in these financial statements.

The revaluation increase of €16,957,752 (gross of tax) recognised at 31 December 2017 in other comprehensive income was determined after deducting the carrying amount of the right-of-use asset of €42,955,809 from the aggregate fair value of €59,913,561, determined at 31 December 2017.

22.1.1.2 Measurement of fair value

The following table shows the valuation technique used in measuring the fair value of land held from emphyteutical grant, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market approach: The valuation model provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.	Prices per square meter ranging from €161 to €1,076	The estimate fair value would increase/ (decrease) if: - price per square meter was higher / (lower)

22 Leases (continued)

22.1 As a lessee (continued)

22.1.2 Lease liabilities

	2019	2018
	€	€
Maturity analysis-contractual undiscounted cash flows		
Less than one year	**524,868**	517,556
One to five years	**2,168,257**	2,137,511
Five years to ten years	**2,897,811**	2,854,177
More than ten years	**22,423,197**	23,022,444
Total undiscounted lease liabilities at 31 December	**28,014,133**	28,531,688
Non-current lease liabilities included in the statement of financial position at 31 December	**10,043,290**	9,977,390

Amounts recognised in profit or loss

	2019	2018
	€	€
Interest on lease liabilities	**(566,716)**	(562,675)
Variable lease payments not included in the measurement of lease liabilities	**(54,100)**	(54,100)

Amounts recognised in the statement of cash flows

	2019	2018
	€	€
Total cash outflow for leases	**(500,816)**	(491,543)

22.1.3 Extension option

The leases contain extension options exercisable by the Company up to one year before the end of the contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Company and not by the lessors.

22 Leases (continued)

22.1 As a lessee (continued)

22.1.3 Extension option (continued)

The Company assesses at the lease commencement whether it is reasonably certain to exercise the extension options and subsequently reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The extension options provided to the Company were assessed by management and it was concluded that all extension options are reasonably certain to be exercised.

23 Contingencies

At reporting date, the Company had given guarantees to the Company's bankers in favour of third parties amounting to €135,813 (2018: €135,813).

24 Related parties

24.1 Parent and ultimate controlling party

The Company is a subsidiary of Medserv p.l.c. (the "parent company"), the registered office of which is situated at Port of Marsaxlokk, Birzebbugia, Malta. The parent is a public limited liability company incorporated in Malta and listed on the Malta Stock Exchange. Two of the Company's directors, namely Mr Anthony S Diacono and Mr Anthony J Duncan hold 31.17% and 34.33% (2018: 31.17% and 34.33%) of the issued share capital of the parent company, respectively.

The parent company prepares the consolidated financial statements of the Company of which Medserv Operations Limited forms part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

24.2 Identity of other related parties

The Company has a relationship with a number of fellow subsidiaries forming part of the Medserv p.l.c. group of companies ("fellow subsidiaries"). It also has a relationship with its directors ("key management personnel"), and an immediate relative of one of the directors ("other related party").

24.3 Transactions with key management personnel

Directors of the Company have indirect and direct control of the voting shares of the Company. There were no loans to directors during the current and comparative year. Compensation for services provided to the Company by key management personnel or entities under their control during the year amounted to €45,188 (2018: €225,000). In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over the financial or operating policies of these companies. Directors' remuneration is included in Note 8.

24 Related parties (continued)

24.4 Related party transactions

The following transactions were conducted during the year:

	2019	2018
	€	€
Parent company		
Advances to	**1,852,750**	2,042,545
Interest charged by	**427,754**	473,244
Assignment of receivable balances due from fellow subsidiaries	**9,084,070**	-
Repayment of amounts due	**1,671,122**	1,590,745
Fellow subsidiaries		
Payment of expenses on behalf of	**3,247,184**	2,758,123
Support services from	**91,375**	81,392
Assignment of receivable balances to parent company	**9,084,070**	-
Assignment of payable balances to parent company	**176,283**	-
Other related party		
Services provided by	**45,188**	19,567

24.5 Related party balances

Information on amounts due from / to related parties is set out in notes 13, 17 and 20 to these financial statements.

25 Subsequent events

The impact of COVID-19 pandemic which broke out after the reporting date has disrupted the global economy, which in turn negatively impacted the performance of the Company's operations. At the same time, since the start of 2020, the oil and gas industry has been significantly affected by the macro-economic uncertainty with regards to prices and demand levels for hydrocarbons as a result of the COVID-19 pandemic.

For the directors' assessment in relation to the impact on COVID-19 on the Company's going concern assessment, refer to note 2.1.

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Independent Auditors' Report

To the Shareholders of Medserv Operations Limited

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medserv Operations Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv Operations Limited

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that as a result of the COVID-19 pandemic, certain offshore projects undertaken by the Company's customers have been postponed. As also indicated in that note, the general macroeconomic conditions in the oil and gas industry might impact the ability of the Company's customers to settle their dues in a timely fashion. As indicated in Note 2.1, these conditions might result in a shortfall of cashflow, unless the Company secures the required additional funding. These events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the 'Directors' Report', but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the directors' report, on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, 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.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv Operations Limited

Responsibilities of the directors for the financial statements (continued)

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.

The directors are also responsible for overseeing the financial reporting process.

Auditors' 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 auditors' 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.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv Operations Limited

Auditors' responsibilities for the audit of the financial statements (continued)

- 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 auditors' 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 auditors' 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 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.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv Operations Limited

2 Report on Other Legal and Regulatory Requirements

Opinion on the directors' report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the directors' report.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv Operations Limited

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Noel Mizzi.

KPMG
Registered Auditors

3 June 2020