2016 Annual Report
Financial Statements

Company Registration Number: C 28847

Directors' and Other Statutory Reports

Chairman's Statement

For the Year Ended 31 December 2016

The year 2016 may be considered as one of the most challenging the Group has had to face to date. The Group suffered from delays in the start-up of operations planned for 2016. This was caused by the continuing uncertainty in the industry due to the oversupply of fossil fuel in the market which in turn led to declining prices for both oil and gas.

The above operating conditions were the backdrop in which the industry had to navigate and in my review, I would like to go through the various operations handled by the Group by geographical segment.

Medserv Cyprus is expecting to gain momentum by the last quarter of 2017. Medserv Cyprus has been in mothball mode for the whole year under review. Eni's success in securing acreage offshore Cyprus close to the Egyptian Zohr field, the largest natural gas find in the Mediterranean, has restored exploration confidence.

Malta operations also experienced a downturn in activity due to the continuing difficult situation in Libya. The security issues and instability in the Libyan market as well as the difficult global market conditions in our sector have contributed to slow down operations. As mentioned in my report for last year, the Company has had to react to the reality of low oil prices by responding to our clients' efforts to cut costs. This continued in 2016 and had a short term negative effect on the financial performance of the Malta Operation during the year. In contrast, however the long-term prospects for the Malta operation have improved as the company has managed to retain all the business that came to market during 2016 for the Malta region albeit through a very tough competitive tender process. This success confirms the resilience of the company and the Malta operations. Medserv Portugal was also affected by delays due to the same reasons mentioned above compounded by regulatory difficulties and operated during 2016 in mothball mode. This operation is expected to go active in 2017.

During 2016 the Group continued to implement its strategic development plan to respond to the reality of the downturn in our industry. The plan is designed to implement diversification in three crucial areas mainly geographically, product and client.

The acquisition of the METS companies in the Middle East has led the diversification process. This resulted in a new geographical presence in easy oil countries, a new income segment through engineering and supply chain management for the OCTG tubular industry as well as a new client base of major blue chip companies operating in the region. Indeed, METS had a major positive impact on the Group's financial performance in 2016.

The Group continues to seek new opportunities. The Group's presence in the Middle East has made it possible to progress efforts to enter the Iranian market. The Group is managing all compliance issues that may arise due to the American sanctions still in force on Iran and the Group will ensure it takes all steps to comply with international law. The office in Trinidad is operational, and apart from awaiting adjudication of tenders already made or in the pipeline, expects to seek new opportunities during 2017. Medserv Egypt has been registered, a new office opened in Cairo, and discussions with international oil companies have taken place.

The challenges that 2016 presented to the Oil and Gas Industry have changed the landscape of this industry. Whilst there are signs that stability may be returning to the market the outcome is not yet certain. It is also evident that service companies may have difficulty in surviving under new market conditions. To sustain growth, service companies must have a strong cross section of clients and offer a comprehensive range of products combined with the capability to operate in different geographical areas. Medserv Group has achieved this position and will continue to concentrate on these three areas of growth.

I must conclude by thanking all stakeholders who made the successful implementation of the Group's Strategic Development Plan possible in the most challenging of conditions. Shareholders and bondholders who continue to actively support Medserv, my board of directors who are playing a crucial part with their active participation in building Medserv Group, the executive corporate management team that has implemented successfully the company policies, and the regional management teams and all their staff spreading from the Caribbean to the Mediterranean and the Middle East. Finally, thanks to all our sub-contractors who understood that they too had to respond to the ever-changing market. It is because of all of you that clients old and new continue to use the Group's services.

Thank you.

Anthony S Diacono
Chairman
5 April 2017

Corporate Social Responsibilty

For the Year Ended 31 December 2016

At Medserv we renew our commitment to contribute to the communities in which we operate each year. The Company's CSR agenda is aimed at being active in local society in a movement towards responsible business practices that create positive change. The following are the concrete ways in which Medserv has supported the community over the last year.

Medserv employees enthusiastically participated in a Football Marathon in aid of Puttinu Cares last May. In November employees from the HR, shipping, yard operations and client support departments came together to carry out some maintenance work and set up the Christmas decorations at Id-Dar tal-Providenza.

The Company also donated funds to ALS Malta, Happy Paws, to Henry Mamo – a child suffering from a rare condition called Prune Belly Syndrome, and continued its support to Fondazzjoni Patrimonju Malti, an organisation set up with the aim of spreading Malta's extensive heritage locally and internationally.

In our efforts to continually improve our work environment, in October 2016, a Group subsidiary obtained the Equality Mark Certification awarded by the National Commission for the Promotion of Equality (NCPE) for a period of two years. This certification is based on evidence of a true commitment by Medserv Operations Limited to implement relevant policies and practices that concern gender equality and family friendly measures at the place of work and in the access to and provision of goods and services.

One of the Group's subsidiaries also obtained the Certificate of Environmental Management issued by Bureau Veritas dated 11 October 2016, as recognition and evidence of the conformity of the Medserv Environmental Management System according to the standard ISO 14001:2004. This is an international standard of environmental management that demonstrates the commitment of the Group towards the sustainability and the protection of the environment. ISO 14001 promotes the protection of the environment and the prevention of pollution by the recycling of waste, lower consumption of water, awareness campaigns amongst employees, reduction of the expenditure on energy and a strategy for sustainable transport. This award demonstrates the effort of the Medserv team when it comes to the protection of the environment and the preservation of natural resources.

At year end, the Group's solar farm was fast approaching a milestone figure of 5 million kg of CO_2 emissions saved. The system has produced over 7,597,900 kWh of energy.

Medserv has also teamed up with the University of Malta acting as their industrial partner on Project FLASC (Floating Liquid-piston Accumulator using Seawater under Compression). This will involve the design and construction of a scaled, proof of concept prototype. Medserv will provide engineering experience in fabricating, sub-sea deployment and logistical support to the University of Malta through its Malta base. Medserv is also contributing financially to the project the sum of €16,890 over a period of 3 years.

In the UAE, METS have supported a number of sporting activities and events that bring the team together with their customers and their families.

Directors' Report

For the Year Ended 31 December 2016

The directors have prepared this directors' report for Medserv p.l.c. ('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 2016.

Board of Directors

Anthony S Diacono
Anthony J Duncan
Joseph FX Zahra
Joseph Zammit Tabona
Godwin A Borg (appointed on 4 July 2016)
Charles Daly (resigned on 31 December 2016)
Laragh Cassar (appointed on 1 January 2017)

Principal Activities

The Group's principal activities consist of providing shore base logistics to the offshore oil and gas industry and engineering and supply chain management for oil country tubular goods (OCTG) to support the onshore oil and gas industry. Shore base logistics is mainly provided from the Group's bases set up in Mediterranean rim countries, supporting international oil companies in their offshore activities, ranging from exploration to development and production. Engineering and supply chain management for OCTG was added to the Group's portfolio following the acquisition of Middle East Tubular Services Group of Companies (METS) in the first quarter of 2016. These services are principally provided from METS facilities in the Middle East.

The Group is continuously working to cross-sell its services within its Group's operating segments. During the reporting year, the Group has setup two new subsidiaries, Medserv Energy TT Limited, registered in Trinidad, and Medserv Egypt Oil and Gas Services Joint Stock Company, registered in Egypt. The Group is also pursuing work in these two developed oil and gas markets.

Review of Business Development

The Oil and Gas industry is going through one of the most transformative periods in its history, which will ultimately redefine the energy business as we know it. This, coupled with the geopolitical risk within the region in which the Group operates, makes it challenging but brings with it opportunities.

The Group's business in Southern Iraq was the unit which was most significantly impacted by the global political and economic factors of the industry. However, management remains committed to operating in this country given that Iraq is the fourth largest oil producer in the world and signs of improvement are already evident. Also, the Iraq business venture has a leading position being the sole VAM® licensed workshop in the country. The VAM® licensee network consists of certified repair shops that thread premium connections of the same quality and performance as those delivered from the production facilities of Vallourec Oil and Gas France.

Other divisions which experienced a slow down due to either environmental issues or pressure on profit margins were Portugal, Cyprus and Malta. Notwithstanding the current oil and gas environment, the Group has continued to show resilience and secure major contracts across its geographical operating spread during 2016, most of which are anticipated to shift from mothball to operational in the third and fourth quarter of 2017.

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 Group. The most important strategic, corporate, and operational risks as well as uncertainties identified during the year together with the actions taken by the Group to reduce these risks are listed below.

Concentration risk:

The Group's business is heavily dependent on relatively few customers both in the shore base logistics and OCTG. The Group's objective is to increase client spread within the oil and gas industry. The acquisition of METS was a significant measure taken during the reporting year to reduce client concentration risk. The strategic development team is continuously working to secure business from new international oil companies.

Political risk:

The Group's results may be significantly impacted positively or negatively as a result of political decisions. Regulatory and environmental decisions as well as political instability can delay, disrupt or cancel projects. The political and security climate in Libya and Iraq was volatile in 2016 and is expected to remain so during the coming year. The Group operates in six jurisdictions with the intention of increasing its operational footprint to continue to minimise this risk.

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. The Group is always striving to reduce this risk by investing in countries where cost of oil production is low, primarily Middle East and North Africa. Also the Group strategy is to increase product diversification. Until year 2012 the Group's product services was limited to two, namely 'Offshore Logistics' and 'Drilling Fluid Manufacture'. This has now increased to five to include 'OCTG Pipe Services', 'Engineering Services' and 'Environmental Services'.

Financial performance

Group's total revenue for the year amounted to €32,822,270 (2015: €42,721,728) and the Group's operating profit amounted to €9,104 (2015: €7,520,850). The significant decrease in results is attributable to the delay in the provision of logistical support services to major drilling contracts and pressure on profit margins. These drilling contracts are still in place and are expected to contribute in the fourth quarter of 2017.

The Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Group amounted to €5,401,429 (2015: €10,250,713). After recognising depreciation amounting to €3,467,846 (2015: €2,650,153), amortisation amounting to €2,051,013 (2015: €Nil), net finance costs amounting to €2,463,336 (2015: €1,504,361) and unrealised exchange gains amounting to €126,534 (2015: loss of €79,710), the Group registered a loss before tax of €2,454,232 (2015: profit before tax of €6,016,489). Profit after accounting for taxation amounted to €2,977,095 (2015: €4,710,305).

The Group registered earnings per share of €0.05c9 (2015: €0.08c9).

Revenue:
Total Group revenue is 59% made up of shore base logistics, 40% OCTG and the remaining from photovoltaic income. OCTG operating segment constituted of only post acquisition revenue of ten months in year 2016.

Cost of Sales and administrative expenses:
The cost of sales of the Group amounted to €28,244,667 as against €29,762,920 incurred in 2015. This is significantly higher considering a 23% decrease in revenue compared to last year, resulting in gross profit margins to decrease by 26% over 2015. The main causes behind this decrease were the following:

- Maintaining the Cyprus and Portuguese shore bases operational despite not contributing any significant revenue to the Group, resulting in a positive contribution but not sufficient to cover depreciation.
- An increase in depreciation charge and amortisation of €2,206,036 compared to last year and the amortisation of a signing bonus subject to vesting period (non-cash item) amounting to €662,670 which was first time incurred in year 2016.
- The cash drain sustained in the Iraq operation.

Administrative expenses are mainly fixed by nature. The Group did not curtail any of the resources of its business development team but invested in additional manpower with the objective of participating in new tenders as opportunities present themselves.

Financial key performance indicators

	2016	2015
	€ Million	€ Million
Total turnover	**32.82**	42.72
- Shorebase Logistics	**19.25**	42.20
- Oil Country Tubular Goods (OCTG)	**13.08**	-
- Photovoltaic Farm	**0.49**	0.52
Adjusted EBITDA	**5.40**	10.25
Profit for the year	**2.98**	4.71
Cash generated from operating activities	**7.74**	9.35
Cash and cash equivalents	**6.22**	(1.65)
Equity	**26.41**	11.12
Balance sheet total	**121.45**	81.14
Capital expenditure	**19.41**	3.78

EBITDA margin	**16.84%**	23.81%
Interest coverage ratio	**2.24**	6.76
Net debt to EBITDA	**8.49**	2.47
Debt to Equity ratio	**2.01**	2.36
EPS	**5c9**	8c9
Average employee for the year	**212**	117

Financial position

The equity attributable to the owners of the Company as at 31 December 2016 amounted to €26,354,406 (2015: €11,110,417). The significant increase is a result of a rights issue during the reporting year amounting to €12,878,270. The purpose of the rights issue was to part finance the acquisition of METS.

Dividends

No final dividend is being recommended.

Reserves

Retained earnings amounting to €8,572,973 and €669,416 for the Group and the Company respectively are being carried forward.

Future developments

In line with the Group's strategy for diversification in geographic markets, client base and product services, the Group is actively positioning itself for growth in various new significant oil and gas markets, such as Trinidad, Egypt and Iran.

Events occurring after the end of the accounting period

Dr Laragh Cassar was co-opted to the Board in a non-executive position effective on 1 January 2017.

Following the award on 26 February 2017 of a long-term contract with the Sumitomo Corporation Tubular Supply Oman (SCTSO) for the supply chain management of OCTG to Petroleum Development Oman (PDO), the Group will setup a new entity and facility in the Special Economic Zone of Duqm in the Sultanate of Oman.

Outlook

Oil price dynamics will continue to remain uncertain and volatile in 2017. The industry faces multiple challenges including the uncertain prospects for the global economy; managing excessive speculation; geopolitical dynamics; attracting investment and managing advances in technology. These challenges will continue to remain in 2017 and beyond.

On a positive note, most of the projections, including those from the World Bank, indicate that oil price is on the recovery path but it is still far away from the sweet spot. The first countries to recover from this downturn are the geographical regions in which the Group operates given that the cost of producing oil in these countries is relatively lower compared to other regions.

The outlook for the Group is optimistic, as drilling activity has been planned for both Portugal and Cyprus in quarter four of 2017. Also, the Group anticipates a better performance in the OCTG operating segment as the market continues to improve in the Middle East over year 2016.

Going Concern

As required by Listing Rule 5.62, upon due consideration of the Company's performance and statement of financial position, capital adequacy and solvency, the directors confirm the Company's ability to continue operating as a going concern for the foreseeable future.

Auditors

KPMG have expressed their willingness to continue in office. A resolution proposing the reappointment of KPMG as auditors of the Company will be submitted at the forthcoming annual general meeting.

Disclosure in terms of the Listing Rules Pursuant to Listing Rule 5.64

Share capital structure:

The Company's authorised share capital is €12,000,000 divided into 120,000,000 ordinary shares of €0.10 per share. The Company's issued share capital is €5,374,440.50 divided into 53,744,405 ordinary shares of €0.10 per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank pari passu between themselves.

The following are highlights of the rights attaching to the shares:

Dividends:

The shares carry the right to participate in any distribution of dividend declared by the Company;

Voting rights:

Each share shall be entitled to one vote at meetings of shareholders;

Pre-emption rights:
Subject to the limitations contained in the memorandum and articles of association, shareholders in the Company shall be entitled, in accordance with the provisions of the Company's memorandum and articles of association, to be offered any new shares to be issued by the Company a right to subscribe for such shares in proportion to their then current shareholding, before such shares are offered to the public or to any person not being a shareholder.

During the extraordinary general meeting held on the 3rd December 2015, the shareholders resolved to authorise the board, for a period of 2 years, to issue and allot such number of unissued equity securities in the Company up to the authorised share capital and to authorise the board to restrict or withdraw the statutory pre-emption rights for the same period;

Capital distributions:
The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise;

Transferability:
The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time;

Other:
The shares are not redeemable and not convertible into any other form of security;

Mandatory takeover bids:
Chapter 11 of the Listing Rules, implementing the relevant Squeeze-Out and Sell-Out Rules provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids, squeeze-out rules and sell-out rules. The shareholders of the Company may be protected by the said Listing Rules in the event that the Company is subject to a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website of the Listing Authority - www.mfsa.com.mt;

Holdings in excess of 5% of the share capital:
On the basis of the information available to the Company as at the 31 December 2016, the following persons hold 5% or more of its issued share capital:

Malampaya Investments Limited	33.49%	(18,000,000 shares)
Anthony S Diacono	31.3%	(16,875,000 shares)
Rizzo Farrugia & Co (Stockbrokers) Limited on behalf of clients	9.40%	(5,055,884 shares)

As far as the Company is aware, no other persons hold any direct or indirect shareholding in excess of 5% of its total issued share capital.

Appointment/Replacement of Directors
In terms of the memorandum and articles of association of the Company, the directors of the Company shall be appointed by the shareholders in the annual general meeting as follows:

(a) Any shareholder/s who, in the aggregate, holds not less than 0.5% of the total shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a director of the Company. The directors themselves or a committee thereof may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

(b) Shareholders are granted a period of at least fourteen (14) days to nominate candidates for appointment as Directors. Such notice may be given by the publication of an advertisement in at least two (2) daily newspapers. All such nominations, including the candidate's acceptance to be nominated as director, shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the Office not later than fourteen (14) days after the publication of the said notice (the **"Submission Date"**); PROVIDED THAT the Submission Date shall not be less than fourteen (14) days prior to the date of the meeting appointed for such election. Nominations to be made by the Directors or any sub-committee of the Directors appointed for that purpose shall also be made by not later than the date established for the closure of nominations to shareholders.

(c) In the event that there are either less nominations than there are vacancies on the board or if there are as many nominations made as there are vacancies on the Board, then each person so nominated shall be automatically appointed a director.

(d) In the event that there are more nominations made, then an election shall take place. After the date established as the closing date for nominations to be received by the Company for persons to be appointed directors, the directors shall draw the names of each candidate by lot and place each name in a list in the order in which they were drawn. The list shall be signed by the Chairman and the Company Secretary for verification purposes.

(e) On the notice calling the annual general meeting at which an election of directors is to take place there shall be proposed one resolution for the appointment of each candidate in the order in which the names were drawn, so that there shall be as many resolutions as there are candidates. The Directors shall further ensure that any Member may vote for each candidate by proxy.

(f) At the general meeting at which the election of directors is to take place the Chairman shall propose the name of each candidate as a separate resolution and the shareholders shall take a separate vote for each candidate (either by a show of hands or through a poll). Each shareholder shall be entitled, in the event of a poll, to use all or part only of his votes on a particular candidate.

(g) Upon a resolution being carried, the candidate proposed by virtue of that resolution shall be considered elected and appointed a Director. No further voting shall take place once enough resolutions have been passed to ensure that all vacancies on the Board have been filled, even if there are still candidates with respect to whom a resolution has not yet been called.

(h) Shareholders may vote in favour or against the resolution for the appointment of a director in any election, and a resolution shall be considered carried if it receives the assent of more than 50% of the shareholders present and voting at the meeting.

(i) Unless a shareholder demands that a vote be taken in respect of all or any one or more of the nominees, in the event that there are as many nominations as there are vacancies or less, no voting will take place and the nominees will be deemed appointed directors.

(j) Subject to the above, any vacancy among the directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the board of directors and shall be valid until the conclusion of the next annual general meeting.

(k) Any director may be removed, at any time, by the Member or Members by whom he was appointed. The removal may be made in the same manner as the appointment.

(l) Any director may be removed at any time by the Company in general meeting pursuant to the provisions of section 140 of the Act.

Amendment to the Memorandum and Articles of Association

In terms of the Companies Act, Cap 386 of the laws of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its memorandum or articles of association. An extraordinary resolution is one where:

(a) it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given;

(b) it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting and at least fifty one per cent (51%) in nominal value of all the shares issued by the Company and entitled to vote at the meeting.

If one of the aforesaid majorities is obtained but not both, another meeting shall be duly convened within 30 days to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than 75% in nominal value of the shares issued by the Company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the Company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Board members' powers

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association reserved for the Company in general meeting.

In particular, the Directors are authorised to issue shares in the Company with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors may from time to time determine, as long as such issue of Equity Securities falls within the authorised share capital of the Company. Unless the shareholders otherwise approve in a general meeting, the Company shall not in issuing and allotting new shares:

(a) allot any of them on any terms to any person unless an offer has first been made to each existing shareholder to allot to him at least on the same terms, a proportion of the new shares which is as nearly as practicable equal to the proportion in nominal value held by him of the aggregate shares in issue in the Company immediately prior to the new issue of shares; and

(b) allot any of them to any person upon the expiration of any offer made to existing shareholders in terms of a) above. Any such shares not subscribed for by the existing shareholders may be offered for subscription to the general public under the same or other conditions which however cannot be more favourable to the public than offer made under (a).

Furthermore, the Company may, subject to such restrictions, limitations and conditions contained in the Companies Act, acquire its own shares.

Save as otherwise disclosed herein, the provisions of Listing Rules 5.64.2, 5.64.4 to 5.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

Pursuant to Listing Rule 5.70

Material Contracts in relation to which a Director of the Company was directly or indirectly interested

None

Pursuant to Listing Rule 5.70.2

Company Secretary:

Dr Laragh Cassar LL.D.

Registered Office of Company:	**Telephone:**
Port of Marsaxlokk Birzebbugia Malta	(+356) 2220 2000

Approved by the Board of Directors on 5 April 2017 and signed on its behalf by:

Anthony S Diacono Chairman	**Anthony J Duncan** Director

Statement of the Directors

Pursuant to Listing Rule 5.68

Pursuant to Listing Rule 5.68, we, the undersigned, declare that, to the best of our knowledge, the consolidated financial statements included in this Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 5 April 2017 by:

Anthony S Diacono
Chairman

Anthony J Duncan
Director


METS

Directors' Statement of Compliance

with the Code of Principles of Good Corporate Governance

Corporate Governance Statement of Compliance

Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Medserv p.l.c. (the "Company") as a company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules (the "Code"). In terms of Listing Rule 5.94, the Company is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Listing Rules, the Company is hereby reporting on the extent of its adoption of the recommended Code.

The directors strongly believe that the practices recommended by the Code are in the best interests of the Medserv Group of Companies and its shareholders generally and that compliance therewith is not only expected by investors but also evidences the directors' and the Company's commitment to a high standard of governance.

Good corporate governance is the collective responsibility of the board of directors of the Company (the "**Board**"). As demonstrated by the information set out in this statement, the Company believes that it has, save as indicated herein the section entitled "Non-Compliance with the Code", throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-Compliance section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

Part 1: Compliance with the Code

Principle 1: The Board

The Board's principal purpose is to provide the required leadership of the Company, to set the present and future strategy of the Company and to ensure proper oversight and accountability. Throughout 2016, the Board comprised six directors, three of whom holding Executive positions, that is, Mr Anthony S Diacono (Executive Director), Mr Anthony J Duncan (Executive Director) and Mr Godwin A. Borg (Executive Director) and three holding Non-Executive positions, Mr Joseph FX Zahra (Non-Executive Director), Mr Joseph Zammit Tabona (Non-Executive Director), and Charles Daly[1] (Non-Executive Director). All of the directors apart from Mr Godwin A. Borg were nominated by the shareholders and appointed automatically with effect from the annual general meeting held on the 30 May 2016. Mr Godwin A. Borg was co-opted by the Board on the 4 July 2016.

The presence of the executive directors on the Board is designed to ensure that the Board has direct access to the individuals having the prime responsibility for the executive management of the Company and the implementation of approved policies. Each director is provided with the information and explanations as may be required by any particular agenda item.

The Board delegates specific responsibilities to an Audit Committee, to a Remuneration Committee and to a Financial Risk Committee. Further details in relation to the said committees and the responsibilities of the Board are found in Principles 4 and 5 of this Statement.

The directors and Restricted Persons (as defined in the Listing Rules) are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Each such Director and Senior Officer has been provided with the code of dealing required in terms of Listing Rule 5.106 and training in respect of their obligations arising thereunder.

Principle 2: Chairman and Chief Executive

The Chairman of the Company leads the Board and sets its agenda. In addition, the Chairman ensures that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company and that effective communication with shareholders is maintained. The Chairman also encourages active engagement by all directors for discussion of complex or contentious issues. The executive responsibility for the running of the Company's business is collectively vested as explained in Part 2.

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required, and adds value to the functioning of the Board and gives direction to the Company.

Throughout the period under review, the Board consisted of three executive directors and three non-executive directors. The non-executive directors, that is, Mr Joseph FX Zahra, Mr Joseph Zammit Tabona and Mr Charles Daly are considered to be independent within the meaning provided by the Code. On the 31 December 2016, Mr Daly resigned from his position as director of the Company. Dr Laragh Cassar was co-opted to the Board on the 1 January 2017. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

[1] Mr Charles Daly resigned from his position as non-executive director of Medserv p.l.c. on 31 December 2016 and Dr Laragh Cassar was co-opted to the Board in a non-executive position on 1 January 2017.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board has established a clear internal and external reporting system so that it has access to accurate, relevant and timely information and ensures that management constantly monitor performance and report to its satisfaction.

During the year under review, the Board continued to implement measures aimed at developing a succession policy for the Company's directors and senior management. In this respect, Mr Anthony S Diacono continued to occupy the position of Chairman of the Company and has assumed the executive role Group Chief Executive Office. Mr Anthony J Duncan retained his position as executive director and in addition to his role as Finance Director, has also assumed the responsibility for Group Compliance. Mr Karl Bartolo, the current Chief Financial Officer, was also appointed Chief Executive Designate with a view to assuming the role as Chief Executive Office in three years' time. Mr Godwin A. Borg's role as Chief Operating Officer was relinquished and he currently serves as a consultant to the Company as Technical Director as well as being a member of the Board. The post of Chief Operating Officer has been abolished as per Company Announcement issued on 26 July 2016. Furthermore, three Regional Managers of the Group were appointed to manage the three present main areas of current and future business, the Mediterranean, Middle East and Caribbean.

Principle 5: Board Meetings

For the period under review the Board has implemented its policy to meet at least once every quarter. As a matter of practice, each board meeting to be held throughout the year is scheduled well in advance of their due date and each director is provided with detailed Board papers relating to each agenda item. Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

Members	Meetings attended out of total held during tenure
Anthony S Diacono	7 out of 7
Anthony J Duncan	7 out of 7
Joseph FX Zahra	6 out of 7
Joseph Zammit Tabona	7 out of 7
Charles Daly	7 out of 7
Godwin A. Borg	1 out of 3[2]

The Board also delegates specific responsibilities to the management team of the Company, the Audit Committee, the Remuneration Committee and the Financial Risk Management Committee, which Committees operate under their formal terms of reference.

Board Committees

Audit Committee

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Listing Rules and under applicable law. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to, inter alia, monitor and scrutinise, and, if required, approve Related Party Transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed Related Party Transactions. The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Company's external auditors. KPMG, as external auditors of the Company, were invited to attend each of the Company's audit committee meetings.

[2] Mr Godwin A. Borg was appointed on the 4 July 2016.

During the year under review, the Audit Committee was composed of Mr Joseph FX Zahra (independent non-executive director and Chairman of the Audit Committee), Mr Anthony J Duncan (executive director) (limitedly up to the 26 August 2016, being the date of his resignation from the Audit Committee) Mr Joseph Zammit Tabona (independent non-executive director) and Mr Charles Daly (independent non-executive director). Following Mr Daly's resignation as director on the 31 December 2016, Dr Laragh Cassar was appointed to the Audit Committee with effect from the 1 January 2017.

During 2016, the Audit Committee met five times.

Members	Meetings attended out of total held during tenure
Joseph FX Zahra (Chairman)	5 out of 5
Anthony J Duncan	3 out of 5
Joseph Zammit Tabona	5 out of 5
Charles Daly	5 out of 5

The Board considers Joseph FX Zahra to be independent and competent in accounting and/or auditing. Such determination was based on Mr Zahra's substantial experience in various audit, accounting and risk management roles throughout his career.

The Board is confident that the Committee Members, as a whole, have competence relevant to the sector in which the Issuer is operating.

Financial Risk Management Committee

The Board has set up a Financial Risk Management Committee composed of Mr Anthony J Duncan (executive director), Mr Karl Bartolo (Chief Financial Officer), Ms Pamela Cassar (Assistant Financial Controller) and Mr Colin Galea (Chief Accountant). The said Committee was set up with a view to manage the Group's currency, interest rates, credit, liquidity and exchange risks and to managing the group's own financial investments. The Committee operates under specific terms of reference approved by the Board. The financial controllers within the Medserv group are invited to attend meetings of the Financial Risk Management Committee.

During 2016, the Financial Risk Management Committee met four times.

Members	No. of meetings held:	Attended:
	4	
Anthony J Duncan		3
Karl Bartolo (Chief Financial Officer)		4
Pamela Cassar (Assistant Financial Controller)		3
Colin Galea (Chief Accountant)		4

Remuneration Committee

This is considered under the Remuneration Report.

Senior executive management

The Company's current organisational structure contemplates the role of a Chief Executive Officer, a position which is occupied by Mr Anthony S Diacono. In addition to occupying the position as Chief Financial Officer, Mr Karl Bartolo is also the CEO designate of the Medserv Group. Mr Anthony J Duncan occupies the position as Finance Director and Mr Godwin A. Borg is the Technical Director of the Medserv Group. Furthermore, the Group structure also comprises three Regional Managers responsible of the Mediterranean, Middle East and Caribbean, respectively. Each of the said persons report directly to the Chief Executive Officer, who in turn reports to the Board of Directors of the Company.

Principle 6: Information and Professional Development

The Board appoints the Chief Executive Officer who continues to enjoy its full support and confidence. Appointments and changes to senior management are the responsibility of the Chief Executive Director and are approved by the Board. The Board actively considers the professional and technical development of all senior management. Management prepares detailed reviews for each Board meeting covering all aspects of the Company's business.

On joining the Board, a new director is provided with the opportunity to consult with the executive directors and senior management of the Company in respect of the operations of the Group. Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary and to the legal counsel to the Company and the Board. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors.

Principle 7: Evaluation of the Board's Performance

With respect to the year under review, the Board undertook an evaluation of its own performance, the Chairman's performance and that of its Committees. The Board did not per se appoint a Committee to carry out this performance evaluation, but the evaluation exercise was conducted through a questionnaire, copies of which were sent to the Chairman of the Audit Committee and the results were reported to the Chairman of the Board.

Principle 8: Committees

Remuneration Committee - This is considered under the Remuneration Report.

Principle 9: Relations with Shareholders and with the Market & Principle 10: Institutional Investors

The Board is of the view that over the period under review, the Company has communicated effectively with the market through a number of company announcements that it published informing the market of significant events happening within the Company.

The Company also communicates with its shareholders through its Annual General Meeting (further detail is provided under the section entitled General Meetings). The Chairman arranges for all directors to attend the annual general meeting and for the chairman of the Audit Committee to be available to answer questions, if necessary.

The Board ensures that sufficient contact is maintained with major shareholders to understand issues and concerns.

Apart from the annual general meeting, the Company intends to continue with its active communication strategy in the market and shall accordingly continue to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors statements published on a six-monthly basis, and by company announcements to the market in general. During 2016, the Company also communicated to the market through a press conference at which local brokers were invited to attend. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner.

The Company's website (http://www.medservenergy.com) also contains information about the Company and its business which is a source of further information to the market.

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

The Company acknowledges its corporate social responsibility to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large. The Company is fully aware of its obligation to preserving the environment and continues to implement policies aimed at respecting the natural environment and to avoiding/minimising pollution.

During the year under review, the Company donated funds to ALS Malta, Happy Paws, Puttinu Cares, to a child suffering from a rare condition called Prune Belly Syndrome, and to Fondazzjoni Patrimonju Malti, an organization set up with the aim of spreading Malta's extensive heritage locallyand internationally.

The Company also teamed up with the University of Malta in acting as their industrial partner on Project FLASC (Floating Liquid-piston Accumulator using Seawater under Compression). This project will involve the design and construction of a scaled, proof of concept prototype. The Company provides engineering experience in fabricating, sub-sea deployment and logistical support to the University of Malta through its Malta base. The Company is committed to contribute the sum of €16,890.00 over a period of three years.

The Company promotes open communication with its workforce, responsibility and personal development. The Company maintains a staff development programme aimed at providing training to staff to assist their development with an aim to improve the Company's competitiveness and efficiency.

Part 2: Non-Compliance with the Code

Principle 2 – Chairman and Chief Executive

In terms of Code Provision 2.1, it is recommended that the position of the Chairman and of the Chief Executive Officer be occupied by different individuals with clear divisions of responsibilities. In the event that the positions are occupied by the same individual as is the case with the Company in view of Mr Anthony S Diacono occupying both the chairmanship and the position of Group Chief Executive Director, it is further recommended that the Company explains to the market, by way of a company announcement, the reason for the two roles being combined. In terms of Code Provision 2.3, Mr Anthony S Diacono is the Chairman of the Company and a significant shareholder of the Company and therefore does not meet the independence criteria in terms of the Code. A Company Announcement was issued on 26 July 2016 in which the Company is appointing Mr Karl Bartolo (Chief Financial Officer) as Chief Executive Designate. The Company is planning for Mr Bartolo to assume the Chief Executive position in three years' time.

Principle 3 – Composition of the Board

In accordance with Code Provision 3.1, where the roles of the Chairman and the Chief Executive Director are combined, the Board should appoint one of the independent non-executive directors to be the senior independent director. The Board has not appointed one of the independent non-executive directors to be the senior independent director.

Principle 7 – Code Provision
7.1 Evaluation Committee

The Board has not appointed an ad hoc committee to evaluate its own performance. As set out above, the evaluation was conducted through a questionnaire.

Principle 8B
(Nomination Committee)

Pursuant to the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). Any shareholder/s who in the aggregate hold not less than 0.5% of the total number of issued shares having voting rights in the Company is entitled to nominate a fit and proper person for appointment as a director of the Company. Furthermore, in terms of the memorandum and articles of association of the Company, the directors themselves are entitled to make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

Within this context, the Board believes that the setting up of a Nomination Committee is not required since the Board itself has the authority to recommend and nominate directors. Notwithstanding this, the Board will retain under review the issue relating to the setting up of a Nomination Committee.

Code Provision 9.3

The Company does not have a formal mechanism in place as required by Code provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders and no such conflicts have arisen.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss. The Board reviews the effectiveness of the Company's system of internal controls. The Company strengthens this function through the Audit Committee that has initiated a business risk monitoring plan, the implementation of which is regularly monitored.

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the Chief Executive Officer with clear reporting lines and delegation of powers. Whilst members of the senior management of the Group are in constant contact, formal management meetings are scheduled on a monthly basis. They are attended by the Chief Executive Officer and senior executive management and other members of staff, upon invitation.

Control environment

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Company executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives. Regular budgets and strategic plans are prepared. Performance against these plans is actively monitored and reported to the Board.

Risk identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. The mandate of the Audit Committee and the Financial Risk Management Committee also includes the continuous assessment and oversight of such key risks.

Listing Rule 5.97.5

The information required by this Listing Rule is found in the Directors' Report.

General Meetings and Shareholders' Rights

Conduct of general meetings

It is only shareholders whose details are entered into the register of members on the record date that are entitled to participate in the general meeting and to exercise their voting rights. In terms of the Listing Rules, the record date falls 30 days immediately preceding the date set for the general meeting to which it relates. The establishment of a record date and the entitlement to attend and vote at general meeting does not, however, prevent trading in the shares after the said date.

In order for business to be transacted at a general meeting, a quorum must be present. In terms of the Articles of Association, 51% of the nominal value of the issued equity securities entitled to attend and vote at the meeting constitutes a quorum. If within half an hour, a quorum is not present, the meeting shall stand adjourned to the same day the next week, at the same time and place or to such other day and at such other time and place as the directors may determine. In any event, the adjourned meeting must be held at least ten days after the final convocation is issued and no new item must be put on the agenda of such adjourned meeting. If at the adjourned meeting a quorum is not yet present within half an hour from the time appointed for the meeting, the member or members present shall constitute a quorum. Generally, the Chairman of the Board presides as Chairman at every general meeting of the Company. At the commencement of any general meeting, the Chairman may, subject to applicable law, set the procedure which shall be adopted for the proceedings of that meeting. Such procedure is binding on the members.

If the meeting consents or requires, the Chairman shall adjourn a quorate meeting to discuss the business left unattended or unfinished. If a meeting is adjourned for 30 days or more, notice of the quorate meeting must be given as in the case of an original meeting. Otherwise, it is not necessary to give any notice of an adjourned meeting or of the business to be transacted at such quorate meeting.

At any general meeting, a resolution put to a vote shall be determined and decided by a show of hands, unless a poll is demanded before or on the declaration of the result of a show of hands by:

(i) the Chairman of the meeting; or

(ii) by at least three (3) members present in person or by proxy; or

(iii) any member or members present in person or by proxy and representing not less than one tenth of the total voting power of all members having the right to vote at that meeting; or

(iv) a member or members present in person or by proxy holding equity securities conferring a right to vote at the meeting, being equity securities on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the equity securities conferring that right.

Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost together with an entry to that effect in the minute book, shall constitute conclusive evidence of the fact without need for further proof. If a resolution requires a particular majority in value, in order for the resolution to pass by a show of hands, there must be present at that meeting a member or members holding in the aggregate at least the required majority. A poll demanded on the election of the Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at the discretion of the Chairman. In the case of equality of votes, whether on a show of hands or on a poll, the chairman has a second or casting vote. On a show of hands every member present in person or by proxy shall have one vote for each equity security carrying voting rights of which he is the holder, provided that all calls or other sums presently payable by him in respect of equity securities have been paid.

Proxy

Every member is entitled to appoint one person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to participate in the general meeting as those to which the member thus represented would be entitled. If a member is holding shares for and on behalf of third parties, such member shall be entitled to grant a proxy to each of his clients or to any third party designated by a client and the said member is entitled to cast votes attaching to some of the shares differently from the others. In the case of voting by a show of hands, a proxy who has been mandated by several members and instructed to vote by some shareholders in favour of a resolution and by others against the same resolution shall have one vote for and one vote against the resolution.

The instrument appointing a proxy must be deposited at the office or by electronic mail at the address specified in the notice convening the meeting not less than forty-eight (48) hours before the time for holding the meeting or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll. The same applies to the revocation of the appointment of a proxy.

A form of instrument of proxy shall be in such form as may be determined by the directors and which would allow a member appointing a proxy to indicate how he would like his proxy to vote in relation to each resolution.

Including items on the agenda
A shareholder or shareholders holding not less than 5% of the issued share capital may include items on the agenda of the general meeting and table draft resolutions for items included on the agenda of a general meeting. Such right must be exercised by the shareholder at least 46 days before the date set for the general meeting to which it relates.

Questions
Shareholders have the right to ask questions which are pertinent and related to the items on the agenda.

Electronic voting
In terms of the Articles of Association of the Company, the directors may establish systems to:

a) allow persons entitled to attend and vote at general meetings of the Company to do so by electronic means in accordance with the relevant provisions of the Listing Rules; and

b) allow for votes on a resolution on a poll to be cast in advance.

Where a shareholder requests the Company to publish a full account of a poll, the Company is required to publish the information on its website not later than 15 days after the general meeting at which the result was obtained.

Further details on the conduct of a general meeting and shareholders' rights are contained in the Memorandum and Articles of Association of the Company and in line with chapter 12 of the Listing Rules.

Remuneration Statement
In July 2016, the Board of Directors established a Remuneration Committee for the purpose of overseeing the development and implementation of the remuneration and related policies of the Medserv group of companies.

During the year under review, the Committee was composed of Mr Joseph Zammit Tabona (Chairman), Mr Joseph FX Zahra and Mr Charles Daly, all of whom were considered independent non-executive directors.

During 2016, the Remuneration Committee met twice.

Members	No of Meetings held:	Attended:
	2	
Joseph Zammit Tabona (Chairman)		2
Joseph FX Zahra		2
Charles Day		2

Remuneration Policy – Senior Executives
The Board determines the framework of the overall remuneration policy and individual remuneration arrangements for its senior executives based on the recommendations from the Remuneration Committee. The Committee considers that these remuneration packages reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the Company. During the current year under review, there have been no significant changes in the Company's remuneration policy and no significant changes are intended to be effected thereto in the year ahead. The terms and conditions of employment of each individual within the executive team are set out in their respective indefinite contracts of employment with the Company, other than in respect of the regional manager for the Middle East (Mr Gareth McMurray) who is on a definite contract. An early termination of this contract by Mr McMurray would result in a payment to Medserv M.E. Limited, a subsidiary company of Medserv p.l.c.

The Company's senior executives may be paid a bonus by the Company – the payment and extent of payment of such bonus is entirely at the discretion of the Board, subject to the recommendation of the Committee. Moreover, share options and profit-sharing are currently not part of the Company's remuneration policy. The Remuneration Committee is in the course of formulating specific criteria which will form the basis of determining the extent of senior executive's entitlement to a bonus.

The Company has disclosed the amount of remuneration paid to its senior executives in notes 9 and 33 to the financial statements.

Remuneration Policy – Directors

The Board determines the framework of the remuneration policy for the members of the Board as a whole, based on the recommendations from the Remuneration Committee.
The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting. The financial statements disclose an aggregate figure in respect of the remuneration as directors of which with respect to the period under review amounted to €77,028.85 (entirely representing a fixed remuneration). Directors' emoluments are designed to reflect the directors' knowledge of the business and time committed as directors to the Company's affairs.

Signed on behalf of the Board of Directors on 5 April 2017 by:

Joseph FX Zahra
Director & Chairman
of the Audit Committee

Directors' Responsibility

For the Financial Statements

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors of Medserv p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible for ensuring that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Group's business. This responsibility includes establishing and maintaining controls pertaining to the Company's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors by:

Anthony S Diacono
Chairman

Anthony J Duncan
Director

Financial Statements

For the Year Ended 31 December 2016

Statements of Financial Position

As at 31 December 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Note	**€**	€	**€**	€
ASSETS					
Property, plant and equipment	14	**34,254,781**	24,048,115	**-**	-
Intangible assets and goodwill	16	**17,180,253**	-	**-**	-
Trade and other receivables	19	**1,272,321**	-	**-**	-
Investments in subsidiaries	15	**-**	-	**13,419,223**	344,813
Prepaid operating lease	31	**33,347,939**	34,123,472	**-**	-
Receivables from subsidiaries	19	**-**	-	**47,317,261**	19,387,349
Deferred tax assets	17	**8,837,098**	3,503,852	**-**	-
Total non-current assets		**94,892,392**	61,675,439	**60,736,484**	19,732,162
Inventories	18	**1,266,371**	-	**-**	-
Prepaid operating lease	31	**775,533**	775,533	**-**	-
Derivative financial assets	30	**-**	1,176,437	**-**	-
Current tax assets		**1,565**	-	**1,565**	-
Trade and other receivables	19	**18,299,765**	16,476,804	**9,947,385**	6,426,569
Cash at bank and in hand	27	**6,217,782**	1,036,816	**46,584**	70,813
Total current assets		**26,561,016**	19,465,590	**9,995,534**	6,497,382
Total assets		**121,453,408**	81,141,029	**70,732,018**	26,229,544

Statements of Financial Position / Continued

As at 31 December 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Note	**€**	€	**€**	€
EQUITY					
Share capital	20	**5,374,441**	4,500,000	**5,374,441**	4,500,000
Share premium	20	**12,003,829**	-	**12,003,829**	-
Retained earnings		**8,572,973**	5,433,980	**669,416**	388,367
Other reserves	20	**403,163**	1,176,437	**-**	-
Equity attributable to the owners of the Company		**26,354,406**	11,110,417	**18,047,686**	4,888,367
Non-controlling interest		**53,588**	11,883	**-**	-
Total equity		**26,407,994**	11,122,300	**18,047,686**	4,888,367
LIABILITIES					
Loans and borrowings	23	**52,056,568**	22,404,045	**50,534,118**	19,743,473
Employee benefits	25	**536,629**	31,073	**-**	-
Deferred income	22	**33,347,939**	34,123,472	**-**	-
Provisions	24	**681,911**	-	**-**	-
Deferred tax liabilities	17	**61,068**	161,272	**-**	-
Total non-current liabilities		**86,684,115**	56,719,862	**50,534,118**	19,743,473
Current tax liabilities		**63,174**	287,112	**-**	-
Loans and borrowings	23	**1,111,520**	3,788,455	**-**	-
Trade and other payables	26	**6,210,853**	8,447,767	**2,150,214**	1,597,704
Deferred income	22	**839,165**	775,533	**-**	-
Provisions	24	**39,079**	-	**-**	-
Employee benefits	25	**97,508**	-	**-**	-
Total current liabilities		**8,361,299**	13,298,867	**2,150,214**	1,597,704
Total liabilities		**95,045,414**	70,018,729	**52,684,332**	21,341,177
Total equity and liabilities		**121,453,408**	81,141,029	**70,732,018**	26,229,544

The notes on pages 37 to 98 are an integral part of these financial statements.
The financial statements on pages 28 to 98 were approved and authorised for issue by the Board of Directors on 5 April 2017 and signed on its behalf by:

Anthony S Diacono
Chairman

Anthony J Duncan
Director

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Note	**€**	€	**€**	€
CONTINUING OPERATIONS					
Revenue	6	**32,822,270**	42,721,728	**1,000,000**	4,500,000
Cost of sales	8	**(28,244,667)**	(29,762,920)	**-**	-
Gross profit		**4,577,603**	12,958,808	**1,000,000**	4,500,000
Other income	7	**573,240**	39,035	**-**	-
Administrative expenses	8	**(5,141,739)**	(5,366,123)	**(228,705)**	(195,723)
Other expenses	7	**-**	(110,870)	**-**	-
Results from operating activities		**9,104**	7,520,850	**771,295**	4,304,277
Finance income	10	**384,444**	3,466	**2,591,562**	1,259,473
Finance costs	10	**(2,847,780)**	(1,507,827)	**(3,080,331)**	(1,257,583)
Net finance (costs)/income	10	**(2,463,336)**	(1,504,361)	**(488,769)**	1,890
(Loss)/Profit before income		**(2,454,232)**	6,016,489	**282,526**	4,306,167
Tax income/(expenses)	12	**5,431,327**	(1,306,184)	**(1,477)**	(1,810)
Profit from continuing operations		**2,977,095**	4,710,305	**281,049**	4,304,357
DISCONTINUING OPERATIONS					
Loss from discontinued operation net of tax	11	**-**	(218,528)	**-**	-
Profit for the year		**2,977,095**	4,491,777	**281,049**	4,304,357
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges – effective portion of changes in fair value	20	**(748,343)**	1,176,437	**-**	-
Foreign currency translation differences – foreign operations	20	**1,159,570**	-	**-**	-
Net loss on hedge of net investment in a foreign operation	20	**(755,490)**	-	**-**	-
Net gain in fair value of cash flow hedges reclassified to goodwill	28	**(428,094)**	-	**-**	-
Other comprehensive income		**(772,357)**	1,176,437	**-**	-
Total comprehensive income		**2,204,738**	5,668,214	**281,049**	4,304,357

Statements of Profit or Loss and Other Comprehensive Income / Continued

For the year ended 31 December 2016

		The Group		The Company	
		2016	2015	**2016**	2015
	Note	**€**	€	**€**	€
Profit attributable to:					
Owners of the Company		**3,138,993**	4,118,156	**281,049**	4,304,357
Non-controlling interests		**(161,898)**	373,621	**-**	-
		2,977,095	4,491,777	**281,049**	4,304,357
Total comprehensive income attributable to:					
Owners of the Company		**2,365,719**	5,294,593	**281,049**	4,304,357
Non-controlling interests		**(160,981)**	373,621	**-**	-
		2,204,738	5,668,214	**281,049**	4,304,357
Earnings per share					
Basic Earnings per share	21	**5c9**	8c9	**0c5**	9c3
Earnings per share – Continuing operations					
Basic Earnings per share	21	**5c9**	9c4	**0c5**	9c3
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	13	**5,401,429**	10,250,713		

The notes on pages 37 to 98 are an integral part of these financial statements.

Statements of Changes in Equity - The Group

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2015	2,500,000	-	-	60,000	-	6,655,824	9,215,824	257,096	9,472,920
Total comprehensive income									
Profit	-	-	-	-	-	4,118,156	4,118,156	373,621	4,491,777
Other comprehensive income	-	-	-	-	1,176,437	-	1,176,437	-	1,176,437
Total comprehensive income	-	-	-	-	1,176,437	4,118,156	5,294,593	373,621	5,668,214
Transactions with owners of the Company									
Contributions and distributions									
Dividends	-	-	-	-	-	(3,400,000)	(3,400,000)	(360,000)	(3,760,000)
Bonus issue	2,000,000	-	-	-	-	(2,000,000)	-	-	-
Total contributions and distributions	2,000,000	-	-	-	-	(5,400,000)	(3,400,000)	(360,000)	(3,760,000)
Changes in ownership interests									
Disposal of subsidiary with non-controlling interest	-	-		-	-	-	-	(258,834)	(258,834)
Total changes in ownership interests	-	-	-	-	-	-	-	(258,834)	(258,834)
Total transactions with owners of the Company	2,000,000	-	-	-	-	(5,400,000)	(3,400,000)	(618,834)	(4,018,834)
Transfers	-	-	-	(60,000)	-	60,000	-	-	-
Balance at 31 December 2015	4,500,000	-	-	-	1,176,437	5,433,980	11,110,417	11,883	11,122,300

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Translation reserve**	**Legal reserve**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2016	4,500,000	-	-	-	1,176,437	5,433,980	11,110,417	11,883	11,122,300
Total comprehensive income									
Profit/(loss)	-	-	-	-	-	3,138,993	3,138,993	(161,898)	2,977,095
Other comprehensive income	-	-	1,158,653	-	(1,931,927)	-	(773,274)	917	(772,357)
Total comprehensive income	-	-	1,158,653	-	(1,931,927)	3,138,993	2,365,719	(160,981)	2,204,738
Transactions with owners of the Company									
Contributions and distributions									
Issue of ordinary shares	874,441	12,003,829	-	-	-	-	12,878,270	-	12,878,270
Total contributions and distributions	874,441	12,003,829	-	-	-	-	12,878,270	-	12,878,270
Changes in ownership interests									
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	-	-	202,686	202,686
Total changes in ownership interests	-	-	-	-	-	-	-	202,686	202,686
Total transactions with owners of the Company	874,441	12,003,829	-	-	-	-	12,878,270	202,686	13,080,956
Balance at 31 December 2016	5,374,441	12,003,829	1,158,653	-	(755,490)	8,572,973	26,354,406	53,588	26,407,994

The notes on pages 37 to 98 are an integral part of these financial statements.

Statements of Changes in Equity
The Company

For the year ended 31 December 2016

	Share capital	Share premium	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2015	2,500,000	-	1,484,010	3,984,010
Total comprehensive income				
Profit	-	-	4,304,357	4,304,357
Transactions with owners of the Company				
Dividends	-	-	(3,400,000)	(3,400,000)
Bonus issue	2,000,000	-	(2,000,000)	-
Total transactions with owners of the Company	2,000,000	-	(5,400,000)	(3,400,000)
Balance at 31 December 2015	4,500,000	-	388,367	4,888,367
Balance at 1 January 2016	**4,500,000**	**-**	**388,367**	**4,888,367**
Total comprehensive income				
Profit	**-**	**-**	**281,049**	**281,049**
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares	**874,441**	**12,003,829**	**-**	**12,878,270**
Total transactions with owners of the Company	**874,441**	**12,003,829**	**-**	**12,878,270**
Balance at 31 December 2016	**5,374,441**	**12,003,829**	**669,416**	**18,047,686**

The notes on pages 37 to 98 are an integral part of these financial statements.

Statements of Cash Flows

As at 31 December 2016

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Cash flows from operating activities				
Profit for the year	**2,977,095**	4,491,777	**281,049**	4,304,357
Adjustments for:	**-**	-	**-**	-
Depreciation	**3,467,846**	2,650,153	**-**	-
Amortisation of intangible assets	**1,388,343**	-	**-**	-
Amortisation of signing bonus	**662,670**	-	**-**	-
Tax (income)/expense	**(5,431,327)**	1,306,184	**1,477**	1,810
Reversal of impairment loss on trade receivables	**-**	(13,745)	**-**	-
Exchange differences	**(126,534)**	(25,874)	**-**	-
Provision for discounted future gratuity payments	**1,606**	1,492	**-**	-
Reversal of employees' end of service benefits	**(65,328)**	-	**-**	-
Gain on disposal of property, plant and equipment	**(371,119)**	(7,875)	**-**	-
Loss on disposal of subsidiary	**-**	218,528	**-**	-
Net finance costs/(income)	**2,463,336**	1,504,361	**488,769**	(1,890)
Dividend income	**-**	-	**(1,000,000)**	(4,500,000)
	4,966,588	10,125,001	**(228,705)**	(195,723)
Change in inventories	**(117,128)**	-	**-**	-
Change in trade and other receivables	**5,148,079**	2,401,673	**141,852**	(123,024)
Change in trade and other payables	**(2,531,765)**	(3,181,446)	**(16,571)**	(94,790)
Change in related party balances	**-**	-	**(3,672,504)**	(737,540)
Change in provisions and employee benefits	**274,284**	-	**-**	-
Cash generated from/(absorbed by) operating activities	**7,740,058**	9,345,228	**(3,775,928)**	(1,151,077)
Bank interest paid	**(150,834)**	(119,637)	**-**	-
Bank interest received	**3,229**	-	**-**	-
Tax paid	**(242,804)**	(400,611)	**(3,042)**	-
Net cash from/(used in) operating activities	**7,349,649**	8,824,980	**(3,778,970)**	(1,151,077)

Statements of Cash Flows / Continued

As at 31 December 2016

	Notes	The Group		The Company	
		2016	2015	**2016**	2015
		€	€	**€**	€
Cash flows from investing activities					
Net advances to subsidiaries		**-**	-	**(37,801,894)**	-
Dividends received from subsidiaries		**-**	-	**-**	4,500,000
Advance payments on investments		**-**	(2,727,273)	**-**	-
Acquisition of subsidiaries, net of cash received		**(32,702,685)**	-	**-**	(1,200)
Issue of signing bonuses subject to vesting period		**(3,180,802)**	-	**-**	-
Acquisition of property, plant and equipment		**(1,656,970)**	(3,818,824)	**-**	-
Receipts from disposal of investment		**-**	141,408	**-**	-
Receipts from disposal of property, plant and equipment		**-**	49,208	**-**	-
Bank interest received		**-**	49,294	**-**	-
Interest received from subsidiaries		**-**	-	**1,916,363**	1,128,044
Net cash (used in)/from investing activities		**(37,540,457)**	(6,306,187)	**(35,885,531)**	5,626,844
Cash flows from financing activities					
Loan advanced by bank		**-**	3,847,818	**-**	-
Repayments of loan advanced by non-controlling interest		**-**	(627,447)	**-**	-
Loan repaid by subsidiary		**-**	-	**-**	3,620,000
Loan advanced to subsidiary		**-**	-	**-**	(3,620,000)
Repayments of bank loans		**(1,206,285)**	(1,289,788)	**-**	-
Interest paid on bank loans		**(87,792)**	(99,218)	**-**	-
Issue of notes (net of transaction costs)		**30,108,111**	-	**30,108,111**	-
Interest paid on notes		**(1,981,835)**	(1,140,272)	**(1,981,835)**	(1,140,272)
Proceeds from issue of share capital (net of transaction costs)		**11,513,996**	-	**11,513,996**	-
Dividends paid to owners of the Company		**-**	(2,007,050)	**-**	(2,007,050)
Net cash from/(used in) financing activities		**38,346,195**	(1,315,957)	**39,640,272**	(3,147,322)
Net increase/(decrease) in cash and cash equivalents		**8,155,387**	1,202,836	**(24,229)**	1,328,445
Cash and cash equivalents at 1 January		**(1,651,754)**	(2,687,609)	**70,813**	(1,257,632)
Effect of exchange rate fluctuations on cash held		**(285,851)**	-	**-**	-
Effect of disposal of subsidiary	11	**-**	(166,981)	**-**	-
Cash and cash equivalents at 31 December	27	**6,217,782**	(1,651,754)	**46,584**	70,813

The notes on pages 37 to 98 are an integral part of these financial statements.

Notes to the Financial Statements

As at 31 December 2016

1 Reporting entity

Medserv p.l.c. (the "Company") is a public liability company domiciled and incorporated in Malta. The principal activities of the Company is that of a holding company (see note 15).

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in providing integrated shore base logistics to the offshore oil and gas market operating mainly in the Mediterranean basin and integrated oil country tubular goods (OCTG) services to the onshore oil and gas market operating in the Middle East.

2 Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements (the "financial statements") have been prepared and presented in accordance with International Financial Reporting Standards 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. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

Article 4 of Regulation 1606/2002/EC requires that, for each financial year starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Act to the extent that the said provisions of the Act are incompatible with the provisions of the Regulation.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments which have been measured at fair value. The methods used to measure fair values are discussed further in note 30.

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

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 14 – recoverability of property, plant and equipment of the Company's subsidiary, Middle East Tubular Services (Iraq) Limited;
- Note 16 – impairment testing for cash-generating unit containing goodwill;
- Note 17 – recognition of deferred tax assets on investment tax credits;
- Note 28 – acquisition of subsidiary: fair value of the consideration transferred and fair value of the assets acquired and liabilities assumed.
- Note 30 – credit risk arising from the trade receivables operating in the oil and gas industry.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 3.1.2). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 3.7). Any gain on a bargain purchase is recognised in profit or loss immediately. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities (see note 3.4).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.3 Non-controlling interests

Losses applicable to the non-controlling interests in subsidiaries are allocated to the non- controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

3.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5 Interests in joint venture

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

In the consolidated financial statements, interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of joint ventures, until the date on which joint control ceases.

3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the joint ventures are eliminated against the investment to the extent of the Group's interest in the joint ventures. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

3.2.1 Foreign currency transactions

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

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

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- financial liabilities denominated in USD and designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see notes 3.2.4 and 23.2); and

- qualifying cash flow hedges to the extent the hedges are effective (see note 3.4.4).

3.2.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and presented within equity in the translation reserve. However, if the operation is a non-wholly owned subsidiary then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3.2.3 Hedge accounting

The Group designates certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

3.2.4 Hedge of a net investment in foreign operation

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

3.2.5 Foreign currency gains and losses

Foreign currency gains and losses relating to operating activities are recognised in profit or loss are reported on a net basis as 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 are recognised in profit or loss are reported on a net basis as either “other income” or “other expenses” depending on whether foreign currency movement is in a net gain or net loss position.

3.3 Discontinued operation

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

- is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

3.4 Financial instruments

At reporting date, the Company's loans and receivables comprised loans to subsidiaries, cash and cash equivalents and trade and other receivables. On the same date, the Group's loans and receivables comprised cash and cash equivalents and trade and other receivables.

The Group's non-derivative financial liabilities comprised secured notes, loans and borrowings and trade and other payables.

The Group classifies non-derivative financial assets and non-derivative financial liabilities into the categories of 'loans and receivables' and 'other financial liabilities' respectively.

3.4.1 Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.4.2 Non-derivative financial assets - measurement

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and call deposits with contractual maturities of three months or less, as well as a bank overdraft that was repayable on demand and forms an integral part of the Group's cash management.

3.4.3 Non–derivative financial liabilities – measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. A bank overdraft that was repayable on demand and formed an integral part of the Group's cash management was included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.4.4 Derivative financial instruments and hedge accounting

In prior year, the Group held derivative financial instruments to hedge its foreign currency risk exposure resulting from the acquisition of METS (see notes 28 and 30).

3.4.4.1 Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI. For a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, any gains or losses on the cash flow hedging instrument that were recognised in OCI are included in the initial cost or the other carrying amount of the non-financial item.

In the event that the forecast transaction is no longer expected to occur, or the hedge no longer meets the criteria for hedge accounting, or the hedging instrument expires or is sold, or terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

3.5 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.

3.6 Property, plant and equipment

3.6.1 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.

3.6.2 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.6.3 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 Group 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:

• buildings and base improvements	3 - 48	years
• furniture and fittings	10	years
• office and computer equipment	5	years
• plant and equipment	8	years
• motor vehicles	4	years
• cargo carrying units	10	years
• photovoltaic farm	20	years

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

3.7 Intangible assets and goodwill

3.7.1 Recognition and measurement

Intangible assets include customer relationships, licenses, brand and contractual rights that are acquired by the Group and have finite useful lives. Intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition less accumulated amortisation and any accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

3.7.2 Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.7.3 Amortisation

Amortisation is calculated to write off the cost of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for the current period are as follows:

- customer relationships 10 years
- licences 10 years
- brand 10 years
- contractual rights 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.10 Impairment

3.10.1 Non-derivative financial assets

Financial assets not carried at fair value through profit or loss including interests in joint ventures, are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates 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.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group 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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group 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 is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.10.2 Non-financial assets

The carrying amounts of the Group'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. Goodwill is tested annually for impairment. 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 group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The Group'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.

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. An impairment loss in respect of goodwill is not reversed.

3.11 Investments in subsidiaries

Investments in subsidiaries are shown in the statement of financial position of the Company at cost less any accumulated impairment losses.

3.12 Employee benefits

3.12.1 Defined contribution plans

The Group 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.

3.12.2 Other long-term employee benefits

The Group'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 Group's obligations.

3.12.3 Severance payments

Pursuant to United Arab Emirates (U.A.E.) and Sultanate of Oman labour regulations, severance payments have to be paid on termination of employment either by the employer or by the employee. The Group's net obligation in respect of this defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, and discounting that amount. The calculation of the liability is performed annually at each reporting date using the projected unit credit method. Remeasurements of the liability, which comprise actuarial gains and losses, are recognised immediately in OCI.
The Group determines the interest expense on the liability for the period by applying the discount rate used to measure the obligation at the beginning of the annual period to the then-net liability, taking into account any changes in the liability during the period as a result of payments. Interest expense is recognised in profit or loss. The Group recognises gains and losses on the settlement of a liability when the settlement occurs.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

3.14 Revenue

The Group is engaged in providing services and support to the offshore oil and gas industry and OCTG services to the onshore oil and gas market and as such is involved in providing support services that span over a term and sells goods and supplies. 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. OCTG services to the onshore oil and gas market consists of handling and storage, inspection and machine shop services. In this regard revenue is recognised and measured as follows:

3.14.1 Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.14.2 Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfers of risks and rewards occurs when the product is loaded onto the client's vessel. Generally for such products the customer has no right of return.

In both instances, revenue is measured at the fair value of the consideration received or receivable.

3.14.3 Photovoltaic income

The Group derives part of its revenue from the sale of solar generated electricity based on long term Feed-in-Tariffs. Revenue is recognised upon delivery of electricity produced to the local operator of the electricity grid. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognised at the time the electricity is supplied on the basis of periodic meter readings.

3.14.4 Dividends

Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

3.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is that portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales). Contingent lease payments are accounted for upon confirmation in the period in which they are incurred.

3.16 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.

3.17 Government grants

Grants that compensate the Group 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 Group 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.

3.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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 measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unutilised tax losses, 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 utilised. 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.

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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.19 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. This EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, the calculation of EPS for all periods presented shall be adjusted retrospectively.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors, the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Company's assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.21 Unrealised profits

Part II of the Third Schedule to the Act requires the Company to include only profits realised at the reporting date as part of retained earnings available for distribution. Any unrealised profits at this date, taken to the credit of the income statement, are transferred to non-distributable reserves.

4 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Except for IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers, which are discussed below, none of these are expected to have a significant effect on the financial statements of the Group in the period of initial application. The Group does not plan to early adopt these standards.

4.1 IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

4.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and is not expecting any significant impact on the Group's revenue recognition.

5 Operating segments

5.1 As a result of the acquisition of Middle East Tubular Services (METS) sub-group during the first quarter of 2016, the Group has changed its internal organisation and has consequently revised its reportable segments. The Group has three reportable segments, as described below, which represent the Group's strategic divisions. These divisions offer different products and services, and are managed separately because they require different resources and marketing strategies. For each of the strategic divisions, the Board of Directors, which is the chief operating decision maker, reviews internal management reports on a monthly basis.

The results for the reporting segment 'Oil country tubular goods' represents a ten-month period. The Group has restated the operating segment information of the comparative year.

The following summary describes the operations in each of the Group's reportable segments:

Shore base logistics
Includes the provision of comprehensive logistical support services to the offshore oil and gas industry from the Group's bases in Malta, Cyprus and Portugal.

Oil country tubular goods
Includes the provision of an integrated approach to OCTG handling, inspection and repairs based in three Middle East locations, namely U.A.E., Southern Iraq and Sultanate of Oman. Information regarding the results of this reportable segment is for a period of ten months from acquisition date to year-end.

Photovoltaic farm
Involves the generation of electricity which is sold into the national grid for a twenty-year period at a price secured under the tariff scheme regulated by subsidiary legislation S.L. 423.46.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

5.2 Information about reportable segments

	Shore base logistics		Oil country tubular goods		Photovoltalic farm		Total	
	2016	2015 Restated	**2016 10 months**	2015 Restated	**2016**	2015 Restated	**2016**	2015 Restated
	€	€	**€**	€	**€**	€	**€**	€
External revenue	**19,253,222**	42,196,304	**13,083,999**	-	**485,049**	525,424	**32,822,270**	42,721,728
Inter-segment revenue	**582,443**	-	**-**	-	**-**	-	**582,443**	-
Segment revenue	**19,835,665**	42,196,304	**13,083,999**	-	**485,049**	525,424	**33,404,713**	42,721,728
Interest income	**3,229**	30,323	**-**	-	**-**	-	**3,229**	30,323
Interest expense	**(1,022,546)**	(1,114,086)	**(1,429,324)**	-	**(395,907)**	(393,741)	**(2,847,777)**	(1,507,827)
Depreciation	**(2,297,806)**	(2,442,041)	**(961,928)**	-	**(208,112)**	(208,112)	**(3,467,846)**	(2,650,153)
Amortisation	**-**	-	**(1,388,343)**	-	**-**	-	**(1,388,343)**	-
Other material non-cash items: amortisation of signing bonus	**-**	-	**(662,670)**	-	**-**	-	**(662,670)**	-
Reportable segment profit/(loss) before tax	**361,508**	6,285,083	**(2,696,770)**	-	**(118,970)**	(76,429)	**(2,454,232)**	6,208,654
EBITDA	**3,678,631**	9,810,887	**1,745,495**	-	**485,049**	525,424	**5,909,175**	10,336,311
Reportable segment assets	**73,666,187**	71,906,150	**39,418,398**	-	**5,495,225**	5,703,334	**118,579,810**	79,747,212
Capital expenditure	**1,703,075**	3,773,284	**17,703,075**	-	**-**	15,894	**19,406,150**	3,773,284
Reportable segment liabilities	**54,547,420**	62,252,637	**34,297,026**	-	**6,200,968**	6,166,036	**95,045,414**	68,418,673
Operating net cash flows	**4,899,728**	8,299,556	**1,964,872**	-	**485,049**	525,424	**7,349,649**	8,824,980
Investing net cash flows	**4,303,134**	6,322,081	**41,843,591**	-	**-**	(15,894)	**(37,540,457)**	(6,306,187)
Financing net cash flows	**38,742,102**	(922,216)	**-**	-	**(395,907)**	(393,741)	**38,346,195**	(1,315,957)

5.3 Reconcoliation of reportable revenues, profit or loss, assets and liabilities

	2015	2015 Restated
	€	€
Revenues		
Total revenue for reportable segments	32,822,270	**42,196,304**
Consolidated revenues	32,822,270	**42,196,304**
Profit or loss		
(Loss)/Profit before tax for reportable segments	(2,454,232)	**6,208,654**
Unallocated amounts:		
Other corporate expenses	-	**(194,055)**
Other interest receivable	-	**1,890**
Consolidated (loss)/profit before income tax	(2,454,232)	**6,016,489**
Assets		
Total assets for reportable segments	118,579,810	**79,747,212**
Unallocated amounts	2,873,598	**1,393,817**
Consolidated total assets	121,453,408	**81,141,029**
Liabilities		
Total liabilities for reportable segments	95,045,414	**68,418,673**
Unallocated amounts	-	**1,600,056**
Consolidated total liabilities	95,045,414	**70,018,729**

5.4 Geographical information

The Shore base logistics segment are managed from Malta but operate base facilities and/or offices in Malta, Cyprus, Portugal, Italy and Libya. The OCTG segment is managed from U.A.E. and operate base facilities in U.A.E., Southern Iraq and Sultanate of Oman. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Non-current assets exclude goodwill amounting to €2,873,598 (2015: €Nil).

	Revenues	Non-current assets
	€	€
31 DECEMBER 2016		
Libya	**7,914,747**	**2,080**
Italy	**510,379**	**-**
Cyprus	**1,547,744**	**4,792,274**
Switzerland	**870**	**181,069**
UK	**7,161**	**-**
Malta	**3,438,306**	**60,090,537**
Croatia	**915,684**	**-**
South Korea	**3,914,260**	**-**
Middle East	**13,083,999**	**27,219,454**
Other countries	**1,489,120**	**51,460**
	32,822,270	**92,336,874**
31 DECEMBER 2015		
Libya	21,140,009	80,355
Italy	1,572,099	-
Cyprus	13,995,501	5,425,305
Switzerland	3,155	-
UK	941,748	-
Malta	1,049,939	56,169,779
USA	1,137,550	-
Other countries	2,356,303	-
	42,196,304	61,675,439

Group revenues from transactions with four (2015: two) major external customers during 2016 amounted to approximately €20.7 million (2015: €34.2 million). Revenues are being analysed by country of incorporation of customers.

SITUATION IN LIBYA

The Group's Libya operations remain minimal as a result of the political scenario in the region. However a number of companies in the oil industry which were previously carrying on business in Libya, have moved their operations to the Group's Malta base.

6 Revenue

Revenue is stated after deduction of sales rebates and indirect taxes.

Category of activity	The Group		The Company	
	2016	2015 Restated	**2016**	2015
	€	€	**€**	€
Offshore logistical support and OCTG services	**32,337,221**	42,196,304	**-**	-
Photovoltaic income	**485,049**	525,424	**-**	-
Dividend income	**-**	-	**1,000,000**	4,500,000
	32,822,270	42,721,728	**1,000,000**	4,500,000

7 Other Income and other expenses

7.1 Other Income

		The Group	
		2016	2015 restated
	Note	**€**	€
Exchange differences		**126,534**	31,160
Gain on disposal of property, plant and equipment	14	**371,119**	7,875
Government grants		**4,388**	-
Reversal of prepaid operating lease	31.2	**(775,533)**	(775,533)
Reversal of deferred income	22	**775,533**	775,533
Other income		**71,199**	-
		573,240	39,035

7.2 Other Expenses

Other expenses incurred in the current and comparative year represented net unrealised operating exchange losses.

8 Expenses by nature

8.1		The Group		The Company	
		2016	2015 Restated	**2016**	2015
	Note	**€**	€	**€**	€
Direct cost of services		**12,746,708**	21,869,443	**-**	-
Consumables	18	**1,095,475**	-	**-**	-
Employee benefits	9	**6,732,297**	4,697,803	**-**	-
Depreciation	14	**3,467,846**	2,650,153	**-**	-
Amortisation of intangible assets	16	**1,388,343**	-	**-**	-
Amortisation of signing bonus	19	**662,670**	-	**-**	-
Professional fees		**1,340,568**	1,082,590	**109,185**	104,945
Listing expenses		**94,001**	86,576	**94,001**	86,576
Travelling and telecommunications		**887,551**	607,239	**4,224**	-
Repairs and maintenance		**822,758**	969,619	**-**	-
Rent	31	**2,040,464**	1,742,628	**-**	-
Insurance		**598,153**	335,512	**-**	-
Security services		**309,905**	180,829	**-**	-
Staff welfare		**521,706**	154,279	**-**	-
Other		**677,961**	752,372	**21,295**	4,202
Total cost of sales and administrative expenses		**33,386,406**	35,129,043	**228,705**	195,723

8.2 The total fees charged to the Group by the independent auditors during 2016 can be analysed as follows:

	€
Auditors' remuneration	**117,686**
Tax advisory services	**29,735**
Other non-audit services	**110,855**
	258,276

9 Personnel expenses

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

	2016	2015
	€	€
Directors' emoluments:	-	-
Remuneration	357,650	300,000
Fees	77,029	66,391
	434,679	366,391
Wages and salaries	6,097,625	3,977,803
Social security contributions	192,460	313,933
Maternity fund	5,135	2,357
Special contribution	2,398	16,266
Government grant - employment aid	-	21,053
	6,732,297	4,697,803

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

	2016	2015
	No.	No.
Operating	183	90
Management and administration	29	27
	212	117

10 Finance income and finance costs

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Bank interest receivable	**3,229**	3,466	**-**	-
Interest receivable from subsidiaries	**-**	-	**2,542,191**	1,242,345
Gain due to early loan repayment	**-**	-	**49,371**	17,128
Unrealised exchange differences	**101,016**	-	**-**	-
Realised exchange differences	**280,199**	-	**-**	-
Finance income	**384,444**	3,466	**2,591,562**	1,259,473
Interest payable on bank loans	**(73,410)**	(104,312)	**(15,982)**	(3,440)
Other bank interest payable	**(163,477)**	(149,372)	**-**	-
Interest payable to note holders	**(2,610,893)**	(1,254,143)	**(2,610,893)**	(1,254,143)
Unrealised exchange differences	**-**	-	**(453,456)**	-
Finance costs	**(2,847,780)**	(1,507,827)	**(3,080,331)**	(1,257,583)
Net finance (costs)/income	**(2,463,336)**	(1,504,361)	**(488,769)**	1,890

11 Discontinued operation

In June 2015, the Group sold its sixty percent shareholding in Medserv Misurata FZC to the Misurata Free Zone Authority. Management took a decision to close the Misurata, Libya base permanently as activity remained minimal. A loss attributable entirely to the owners of the Company amounting to €218,528 was incurred in the comparative year.

12 Tax expense

12.1 Recognised in the income statement

	The Group		The Company	
	2016	2015 restated	**2016**	2015
	€	€	**€**	€
Current tax expense				
Current year	**(3,830)**	(632,797)	**-**	(1,810)
Adjustment for prior years	**1,707**	-	**(1,477)**	-
	(2,123)	(632,797)	**(1,477)**	(1,810)
Deferred tax movement				
Origination and reversal of temporary differences	**5,433,450**	(673,387)	**-**	-
Total tax income/(expense)	**5,431,327**	(1,306,184)	**(1,477)**	(1,810)

12.2 The tax income/(expense) for the year and the result of the accounting result multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	The Group		The Company	
	2016	2015 restated	**2016**	2015
	€	€	**€**	€
(Loss)/Profit before tax	**(2,454,232)**	6,016,489	**282,526**	**4,306,167**
Tax using the Company's domestic tax rate	**858,981**	(2,105,771)	**(98,884)**	(1,507,158)
Tax effect of:				
Investment tax credits (see note 17.3)	**5,702,564**	970,894	**-**	-
Disallowed expenses	**(900,905)**	(349,952)	**(251,116)**	(67,842)
Difference in tax rates applicable to Group entities	**318,985**	162,341	**-**	-
Exempt dividends	**-**	-	**350,000**	1,575,000
Exempt income	**114,769**	117,345	**-**	-
Special contribution to the defence fund	**658**	(1,040)	**-**	-
Tax effect of unrecognised deferred tax	**(81,734)**	(74,428)	**-**	-
Adjustment to prior year current taxation	**51,858**	-	**(1,477)**	(1,810)
Adjustment to prior years' deferred tax asset	**(22,201)**	(25,573)	**-**	-
Effect of translation to reporting currency	**13,994**	-	**-**	-
Consolidation adjustments not subject to tax	**(625,642)**	-	**-**	-
Tax income/(expense)	**5,431,327**	(1,306,184)	**(1,477)**	(1,810)

The applicable tax rate is the statutory local income tax rate of 35% for income generated in Malta. The results from operations in Cyprus and Portugal are subject to the statutory local income tax of 12.5% and 21% respectively. The Company's subsidiary in the Sultanate of Oman is exempt from income tax for a period of 10 years which may extend by further 15 years according to the procedures set in the Concession Agreement between the local government and the Sohar Free Zone LLC (the operating authority). This subsidiary is in the process of obtaining the tax exemption certificate from Ministry of Finance and management is confident that it will be able to obtain and claim tax exemption for the afore-mentioned and following tax periods. Hence, no provision for income tax has been made in these financial statements. The Company's subsidiaries in U.A.E. and Southern Iraq are exempt from income tax.

The Company's subsidiary, Medserv Operations Limited is eligible to 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 17.3).

13 Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

The Directors of the Group have presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation and unrealised exchange differences.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations

		2016	2015
	Note	**€**	€
Profit from continuing operations		**2,977,095**	4,710,305
Tax (income)/expense	12	**(5,431,327)**	1,306,184
(Loss)/profit before tax		**(2,454,232)**	6,016,489
Adjustments for:			
Net finance costs	10	**2,463,336**	1,504,361
Depreciation	14	**3,467,846**	2,650,153
Amortisation of intangible assets	16	**1,388,343**	-
Amortisation of signing bonus	19.8	**662,670**	-
Unrealised exchange differences included in other income and other expenses	7	**(126,534)**	79,710
Adjusted EBITDA		**5,401,429**	10,250,713

14 Property, plant and equipment - The Group

14.1	Total	Buildings	Base improvements	Plant and equipment	Photo-voltaic farm	Cargo carrying units	Furniture and fittings	Office and computer equipment	Motor vehicles	Payment in advance and assets under construction
Cost	€	€	€	€	€	€	€	€	€	€
Balance at 01.01.15	29,575,521	8,182,152	2,569,568	9,067,429	4,000,358	2,093,021	1,254,569	620,686	412,208	1,375,530
Additions	3,773,284	1,425,422	1,033,774	920,545	15,894	10,878	167,043	77,962	121,766	-
Transfers from payments in advance and assets under construction	-	-	-	-	-	1,375,530	-	-	-	(1,375,530)
Disposals	(2,347,342)	-	(95,768)	(1,440,012)	-	-	(537,911)	(137,759)	(135,892)	-
Balance at 31.12.15	31,001,463	9,607,574	3,507,574	8,547,962	4,016,252	3,479,429	883,701	560,889	398,082	-
Balance at 01.01.16	**31,001,463**	**9,607,574**	**3,507,574**	**8,547,962**	**4,016,252**	**3,479,429**	**883,701**	**560,889**	**398,082**	**-**
Acquisitions through business combinations	**19,532,255**	**1,300,050**	**5,660,985**	**10,347,307**	**-**	**-**	**186,772**	**124,300**	**743,244**	**1,169,597**
Additions	**1,656,970**	**631,966**	**40,004**	**750,561**	**-**	**-**	**86,021**	**86,896**	**61,522**	**-**
Disposals/write-off	**(789,404)**	**-**	**-**	**(760,000)**	**-**	**-**	**-**	**-**	**(29,404)**	**-**
Effect on movements in exchange rates	**555,104**	**36,805**	**159,012**	**296,560**	**-**	**-**	**5,239**	**3,538**	**20,848**	**33,102**
Balance at 31.12.16	**51,956,388**	**11,576,395**	**9,367,575**	**19,182,390**	**4,016,252**	**3,479,429**	**1,161,733**	**775,623**	**1,194,292**	**1,202,699**
Depreciation										
Balance at 01.01.15	6,233,535	968,937	438,703	3,384,014	104,807	96,364	532,254	455,395	253,061	-
Charge for the year	2,650,153	185,314	722,861	956,866	208,111	347,083	90,935	53,944	85,039	-
Disposals	(1,930,340)	-	(69,153)	(1,220,136)	-	-	(389,800)	(137,657)	(113,594)	-
Balance at 31.12.15	6,953,348	1,154,251	1,092,411	3,120,744	312,918	443,447	233,389	371,682	224,506	-

	Total	Buildings	Base improvements	Plant and equipment	Photo-voltaic farm	Cargo carrying units	Furniture and fittings	Office and computer equipment	Motor vehicles	Payment in advance and assets under construction
Depreciation	€	€	€	€	€	€	€	€	€	€
Balance at 01.01.16	6,953,348	1,154,251	1,092,411	3,120,744	312,918	443,447	233,389	371,682	224,506	-
Charge for the year	3,467,846	367,759	607,656	1,624,817	208,112	347,083	120,200	71,292	120,927	-
Acquisitions through business combinations	7,631,666	580,492	2,130,964	4,065,756	-	-	112,680	113,701	628,073	-
Disposals	(408,795)	-	-	(380,000)	-	-	-	-	(28,795)	-
Effect of movements in exchange rates	57,542	5,286	14,507	31,371	-	-	1,069	810	4,499	-
Balance at 31.12.16	**17,701,607**	**2,107,788**	**3,845,538**	**8,462,688**	**521,030**	**790,530**	**467,338**	**557,485**	**949,210**	**-**
Carrying amounts										
At 1 January 2015	23,341,986	7,213,215	2,130,865	5,683,415	3,895,551	1,996,657	722,315	165,291	159,147	1,375,530
At 31 December 2015	24,048,115	8,453,323	2,415,163	5,427,218	3,703,334	3,035,982	650,312	189,207	173,576	-
At 1 January 2016	24,048,115	8,453,323	2,415,163	5,427,218	3,703,334	3,035,982	650,312	189,207	173,576	-
At 31 December 2016	**34,254,781**	**9,468,607**	**5,522,037**	**10,719,702**	**3,495,222**	**2,688,899**	**694,395**	**218,138**	**245,082**	**1,202,699**

14.2 At 31 December 2016, the Group still used fully depreciated plant and equipment that had a gross carrying amount of €2,480,617 (2015: €3,171,251).

14.3 The Group's buildings and base improvements are situated on land held under title of temporary emphyteusis (see note 31.1).

14.4 On 22 September 2016, a crane of a subsidiary of the Company included in plant and equipment with a net book value of €380,000 was destroyed in an accident. Insurance proceeds covering the cost of the crane were received subsequent to year-end (see note 19).

14.5 Assets under construction as at year end consists of expenses incurred for the development of warehouses and additional office buildings in the Group's facilities in the Middle East.

Payment in advance at the beginning of 2015 related to cargo carrying units received during the prior year. As a result, the full cost of the cargo carrying units was reclassified to the respective category from payments in advance in the prior year.

14.6 Commitments

As at year-end, the Group did not enter into any contract to purchase property, plant and equipment.

14.7 Security

At 31 December 2016, the Group's emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to note 23) were subject to a general hypothec and a special hypothec in relation to the notes issue and bank borrowings by the Group (refer to note 23).

14.8 Recoverability of property, plant and equipment

During the current year, due to net losses sustained by Middle East Tubular Services (Iraq) Limited, its property, plant and equipment, including the assets not yet in use, with a total net book value amounting to €6,900,417 were tested for impairment. No impairment loss was recognised in view of the fact that the recoverable amount exceeded the carrying amount of these assets. The recoverable amount of these assets as at reporting date was determined with reference to their value-in-use, which considered cash flows for the years 2017 to 2026. This value-in-use calculation was based on key assumptions, including a pre-tax discount rate of 21.82%, a compound annual revenue growth of 21.44% and an average annual EBITDA of 35.80%.

The values assigned to the key assumptions represent management's assessment of future trends in the industry. The key assumptions are based on both external sources and internal sources (historical data). The projected annual revenue growth rate is based on the assumption that there is a significant increase in oil activity in the region. The directors are satisfied that the judgements made are appropriate to the circumstances but, as with all projections relating to future events, there is a degree of uncertainty inherent in the figures.

14.8 Recoverability of property, plant and equipment (continued)

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required
	2016
	%
Compound annual revenue growth	- 3.06
Average annual EBITDA	- 7.79

15 Investments in subsidiaries

15.1

	Total	Capital subscribed	Loans receivable
	€	€	€
At 1 January 2015	343,613	343,613	-
Acquisitions	1,200	1,200	-
At 31 December 2015	344,813	344,813	-
At 1 January 2016	**344,813**	**344,813**	**-**
Issue of loan receivable to subsidiary	**13,074,410**	**-**	**13,074,410**
At 31 December 2016	**13,419,223**	**344,813**	**13,074,410**

15.2 The loan receivable from the subsidiary as at 31 December 2016 is unsecured, interest free and repayable at the option of the subsidiary.

15.3 List of subsidiaries and sub-subsidiaries

Subsidiaries	Registered Office	Ownership interest		Nature of business	Paid up
		2016	2015		
		%	%		**%**
Medserv International Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	25
Medserv Italy Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Eastern Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv East Africa Ltd	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Libya Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Logistical support and other services	20
Medserv M.E. Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	100
Medserv Operations Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Logistical support and other services	100
Sub-subsidiaries					
Medserv (Cyprus) Limited	Karaiskakis Street Limassol Cyprus	**80.00**	80.00	Logistical support and other services	100
MDS Energy Portugal Unipessoal Lda	Ave D Joao II 46–4-A 1990-095 Lisbon Portugal	**100.00**	-	Logistical support and other services	100
Medserv Energy TT Limited	18, Scott Bushe Street Port of Spain Trinidad & Tobago, W.I.	**100.00**	-	Logistical support and other servies	100

15.3 List of subsidiaries and sub-subsidiaries /continued

Sub-subsidiaries	Registered Office	Ownership interest		Nature of business	Paid up
		2016	2015		
		%	%		**%**
Medserv Egypt Oil & Gas Services J.S.C	25A Road 84, 1st & 2nd floors Maadi Cairo, Egypt	**80.00**	-	Logistical support and other services	100
Middle East Tubular Service Holdings Limited	Belmont Chambers, Road Town, Tortola, British Virgin Islands	**100.00**	-	Holding company	100
Middle East Tubular Services Limited	Belmont Chambers, Road Town, Tortola, British Virgin Islands	**100.00**	-	OCTG services in U.A.E.	100
Middle East Tubular Services LLC (FZC)	PO Box 561 PC322 Al Falaj-Al Qabail Sohar Sultanate of Oman	**100.00**	-	OCTG services in Sultanate of Oman	100
Middle East Tubular Service (Iraq) Limited	Belmont Chambers, Road Town, Tortola, British Virgin Islands	**90.00**	-	OCTG services in Southern Iraq	100

15.4 During 2015, the Company disposed of its 60% interest in Medserv Misurata FZC for a consideration of €169,726 (see note 11).

15.5 On 15 September 2015, the Company formed a new subsidiary, Medserv M.E. Limited which on 23 February 2016 acquired the issued share capital of Middle East Tubular Services Holdings Limited (see note 28).

16 Intangible assets and goodwill

16.1 Reconcilation of carrying amount

	Total	Goodwill	Brand	Customer relationships	Licences	Contractual rights
	€	€	€	€	€	€
Cost						
Acquisitions through business combinations	18,366,196	2,671,198	284,402	14,102,368	343,104	965,124
Effect of movements in exchange rates	202,400	202,400	-	-	-	-
Balance at 31 December 2016	**18,568,596**	**2,873,598**	**284,402**	**14,102,368**	**343,104**	**965,124**
Amortisation						
Amortisation for the year	1,388,343	-	23,700	1,175,197	28,592	160,854
Balance at 31 December 2016	**1,388,343**	**-**	**23,700**	**1,175,197**	**28,592**	**160,854**
Carrying amounts						
At 31 December 2015	-	-	-	-	-	-
At 31 December 2016	**17,180,253**	**2,873,598**	**260,702**	**12,927,171**	**314,512**	**804,270**

16.2 Amortisation

The amortisation of customer relationships, licences, brand and contractual rights is included in 'cost of sales' in the statement of profit or loss and other comprehensive income.

16.3 Impairment testing for goodwill

Goodwill arising from the acquisition of Middle East Tubular Services Limited ('the METS sub-group') is mainly attributable to the synergies expected to be achieved from combining the operations of the METS sub-group with the Group and the skills and technical talent of the METS sub-group's work force. The goodwill arising from the acquisition of the METS sub-group has been allocated to the OCTG Cash-Generating Unit (CGU). An assessment of the valuation of the assets acquired as against the consideration paid was carried out at the time of the acquisition (see note 28). Goodwill has been capitalised as an intangible asset and an impairment assessment is carried out annually.

The recoverable amount of this CGU was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU exceeded its carrying amount and thus no impairment loss was recognised.

The key assumptions used in the estimation of value-in-use were as follows.

	2016
	%
Discount rate – range	**16.20 - 21.82**
Discount rate – weighted average	**16.64**
Terminal value growth rate	**2.00**
Budgeted EBITDA rate for terminal value	**24.68**

The discount rates were a pre-tax measure based on the base-specific weighted-average cost of capital (WACC) and reflect specific risks and conditions related to the relevant base.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was based on management's expectations of market developments and future outcomes, taking into account past performance, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required
	2016
	%
Discount rate	+ 2.56
Budgeted EBITDA for terminal value	- 4.79

No subtantial decrease in the terminal growth rate applied to the projections would result in the unit's carrying amount exceeding its recoverable amount.

17 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	€	€	**€**	€	**€**	€
The Group						
Property, plant and equipment	**-**	-	**(988,053)**	(788,026)	**(988,053)**	(788,026)
Provision for discounted future gratuity payments	**11,438**	10,876	**-**	-	**11,438**	10,876
Provision for exchange fluctuations	**1,563**	282	**-**	-	**1,563**	282
Investment tax credits	**9,274,117**	4,018,037	**-**	-	**9,274,117**	4,018,037
Unutilised tax losses and unabsorbed capital allowances	**476,965**	101,411	**-**	-	**476,965**	101,411
Tax assets/(liabilities) before set-off	**9,764,083**	4,130,606	**(988,053)**	(788,026)	**8,776,030**	3,342,580
Set off of tax	**(926,985)**	(626,754)	**926,985**	626,754	**-**	-
Net tax assets/(liabilities)	**8,837,098**	3,503,852	**(61,068)**	161,272	**8,776,030**	3,342,580

17.2 Movement in temporary differences during the year - The Group

	Balance 01.01.15	Recognised in profit or loss	Balance 31.12.15
	€	€	€
Property, plant and equipment	(285,148)	(502,878)	(788,026)
Provision for discounted future gratuity payments	10,353	523	10,876
Provision for exchange fluctuations	(1,787)	2,069	282
Investment tax credits	4,215,107	(197,070)	4,018,037
Unutilised tax losses and unabsorbed capital allowances	77,442	23,969	101,411
	4,015,967	(673,387)	3,342,580

	Balance 01.01.16	Recognised in profit or loss	Balance 31.12.16
	€	€	€
Property, plant and equipment	**(788,026)**	**(200,027)**	**(988,053)**
Provision for discounted future gratuity payments	**10,876**	**562**	**11,438**
Provision for exchange fluctuations	**282**	**1,281**	**1,563**
Investment tax credits	**4,018,037**	**5,256,080**	**9,274,117**
Unutilised tax losses and unabsorbed capital allowances	**101,411**	**375,554**	**476,965**
	3,342,580	**5,433,450**	**8,776,030**

17.3 Recognition of deferred tax asset on investment tax credits

As at 31 December 2016, a deferred tax asset of €9,274,117 (2015: €4,018,037) was recognised in the financial statements to the extent of investment tax credits expected to be utilised in the future. Based on the Group's profit forecasts of the Malta operations for the foreseeable period, the directors believe that the Group 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 that the directors believe will be provided by the shore base at Malta Freeport. 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%. The Special Tax Credits (STCs) in terms of regulations 31 to 35 of the BPRs and available to beneficiaries in terms of regulation 32 of the BPRs, and amounting to €2,357,406 can be utilized up to the financial year ending 31 December 2020. The investment tax credits available in terms of regulation 5 of the BPRs and regulation 4 of the IARs, and amounting to €6,916,711 do not expire.

In view of the clarified interpretation of enacted law leading to the probable increased utilisation of investment tax credits availed by one of the Group's Maltese subsidiaries, previously unrecognised deferred tax asset amounting to €2,382,242 has been recognised during the year.

17.4 Unrecognised deferred tax asset

A deferred tax asset of €121,917 consisting of tax losses incurred by one of the Company's subsidiaries (2015: €2,382,242 investment tax credits and unused tax losses) has not been recognised.

18 Inventories

Inventories amounting to €1,266,371 (2015: €Nil) consisted of consumables used in the provision of maintenance and OCTG services.

In 2016, inventories of €1,095,475 (2015: €Nil) were recognised as an expense during the year and included in 'cost of sales'.

19 Trade and other Receivables

19.1	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Trade receivables	**12,812,338**	12,174,137	**-**	**-**
Amounts due by subsidiaries	**-**	-	**7,555,412**	6,284,717
Loans receivable from subsidiaries	**-**	-	**2,391,973**	-
Other receivables	**2,225,624**	632,585	**-**	-
Advance payment re acquisition of METS (note 28)	**-**	2,727,273	**-**	-
Accrued income	**14,458**	25,721	**-**	-
Deferred expenses	**89,629**	413,957	**-**	-
Prepayments	**2,839,636**	503,131	**-**	141,852
Contract asset	**1,590,401**	-	**-**	-
	19,572,086	16,476,804	**9,947,385**	6,426,569
Non-current	**1,272,321**	-	**-**	-
Current	**18,299,765**	16,476,804	**9,947,385**	6,426,569
	19,572,086	16,476,804	**9,947,385**	6,426,569

19.2 Amounts due by subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 33 to these financial statements.

19.3 The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 30.

19.4 The loans receivable from subsidiaries classified as current assets have the following terms and conditions:

				The Company	
	Currency	**Nominal interest rate**	**Year of maturity**	**2016**	2015
		€	**€**	**€**	€
Unsecured loan	EUR	6.00%	2017	**1,464,718**	-
Unsecured loan	EUR	6.25%	2017	**927,255**	-
				2,391,973	-

19.5 Receivables from subsidiaries classified as non-current assets have the following terms and conditions:

				The Company	
	Currency	Nominal interest rate	Year of maturity	2016	2015
				€	€
Unsecured loan	EUR	6.00%	2023	**3,395,542**	12,610,982
Unsecured loan	EUR	6.00%	2022	**3,683,500**	3,675,840
Unsecured loan	EUR	6.00%	2017	**-**	1,416,890
Unsecured loan	EUR	6.25%	2017	**-**	1,683,637
Unsecured loan	EUR	4.50%	2026	**941,217**	-
Unsecured loan	EUR	4.50%	2026	**21,247,988**	-
Unsecured loan	USD	5.75%	2026	**8,781,306**	-
Unsecured loan	EUR	6.00%	2023	**9,267,708**	-
				47,317,261	19,387,349

19.6 Other receivables include insurance proceeds amounting to €1,056,452 which were received subsequent to year end (see note 14.4).

19.7 Deferred expenses mainly include costs incurred by the Group that are related directly to securing various contracts. These costs have been deferred as they relate to contracts continuing/starting in the coming years for which future economic benefits are expected to flow to the Group and can be identified separately and measured reliably.

19.8 Contract asset amounting to €1,590,401 consists of a signing bonus granted to a key management personnel of METS subject to vesting period. This signing bonus will be amortised over a period of five years, commencing on 1 January 2017, as this relates to a contract in the coming year for which future economic benefits are expected to flow to the Group and which can be separately identified and reliably measured. Included in prepayments is another signing bonus amounting to €1,590,401 subject to vesting period granted to another key management personnel of METS and which is being amortised to profit or loss over a period of two years, starting on 23 February 2016. Both signing bonuses would need to be repaid by the employees should they do not remain in employment with the Group for two years.

20 Capital and reserves

20.1 Share Capital

	Group and Company	
	Ordinary shares	
	2016	2015
	No.	No.
In issue at 1 January – fully paid	**45,000,006**	25,000,004
Increase in shares due to bonus issue	**-**	20,000,002
Increase in shares due to rights issue	**8,744,399**	-
In issue at 31 December - fully paid	**53,744,405**	45,000,006

The Company's authorised share capital amounts to 120,000,000 shares of €0.10 each (2015: 120,000,000 ordinary shares of €0.10 each).

In the first quarter of 2016, the Company issued 8,744,399 ordinary shares by way of a rights issue at an offer price of €1.50 per share. On 3 December 2015, the general meeting of shareholders approved the issue of 20,000,002 shares of a nominal value of €0.10 per share, by way of a bonus share issue to all eligible shareholders.

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 Group and the Company's residual assets.

20.2 Share premium

Share premium amounting to €12,003,829 (2015: €Nil) represents premium on issue of 8,744,399 ordinary shares of a nominal value of €0.10 each at a share price of €1.50 each (see note 20.1). Share premium is shown net of transaction costs of €238,330 directly attributable to the issue of the ordinary shares.

20.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

20.4 Hedging reserve

The hedging reserve comprises the net loss on hedge of net investment in foreign operations and the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

20.5 Availability of reserves for distribution

	The Company	
	2016	2015
	€	€
Distributable	669,416	388,367
Non-distributable	12,003,829	-
	12,673,245	388,367

20.6 Dividends

The following dividends were declared and paid by the Company:

	2016	2015
	€	€
Nil (2015: 21.6) euro cents per qualifying ordinary share	-	5,400,000

No dividends are being proposed by the directors for 2016.

20.7 Non-cash transactions

Shares issued during 2016 amounting to €1,364,273 were debited to shareholders' accounts. In prior year, dividends declared in 2015 were credited to shareholders' accounts.

21 Earnings per share

The calculation of basic earnings per share of the Group and the Company is based on the profit attributable to ordinary shareholders of the Company as shown in the statement of profit or loss and other comprehensive income, divided by the weighted-average number of ordinary shares at 31 December 2016. Following the rights issue in the first quarter of 2016, the comparative earnings per share has been restated accordingly.

There were no dilutive potential ordinary shares during the current and comparative year.

Profit attributable to ordinary shareholders – the Group

	2016			2015		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	€	**€**	**€**	€	€	€
Profit for the year attributable to the owners of the Company	**3,138,993**	**-**	**3,138,993**	4,336,684	(218,528)	4,118,156

Profit attributable to ordinary shareholders – the Company

	2016			2015		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	€	**€**	**€**	€	€	€
Profit for the year attributable to the owners of the Company	**281,049**	**-**	**281,049**	4,304,357	-	4,304,357

Weighted-average number of ordinary shares (basic)

	2016	2015
	€	€
Issued ordinary shares at 1 January	**45,000,006**	45,000,006
Effect of rights issue in 2016	**7,836,511**	1,067,080
Weighted-average number of ordinary shares at 31 December	**52,836,517**	46,067,086

Earnings per share of the Group and the Company for the year ended 31 December 2016 amounted to 5c9 (2015: 8c9) and 0c5 (2015: 9c3) respectively. Earnings per share of the Group and the Company from continuing operations for the year ended 31 December 2016 amounted to 5c9 (2015: 9c4) and 0c5 (2015: 9c3) respectively.

22 Deferred income

During 2012, the Group 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 various emphyteutical grant deeds, a lease agreement as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited (the subsidiary). The award was conditional on the Group 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 emphyteutical grant. The amount recognised in profit or loss during 2016 was equal to €775,533 (2015: €775,533).

Included in deferred income is a government grant amounting to €63,632 (2015: €Nil) received in relation to the Group's investment in property, plant and equipment. This grant is being amortised over the estimated useful life of the property, plant and equipment.

23 Loans and borrowings

23.1 This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 30.

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Non-current liabilities				
Secured bank loans	**1,522,450**	2,660,572	**-**	-
Secured notes	**19,800,875**	19,743,473	**19,800,875**	19,743,473
Unsecured notes	**30,733,243**	-	**30,733,243**	-
	52,056,568	22,404,045	**50,534,118**	19,743,473

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Current liabilities				
Secured bank loans	**1,111,520**	1,099,885	**-**	-
Bank overdrafts	**-**	2,688,570	**-**	-
	1,111,520	3,788,455	**-**	-

23.2 Terms and debt repayment schedule

The terms and conditions of outstanding loans are as follows:

	Original currency	Carrying amount	Nominal interest rate	Year of maturity
Bank loan	EUR	**€1,068,037**	5.35%	2018
Bank loan	USD	**€1,565,933**	LIBOR + 3.5%	2019
Secured notes	EUR	**€19,800,875**	6%	2023
Unsecured notes	EUR	**€22,003,815**	4.5%	2026
Unsecured notes	USD	**€8,729,428**	5.75%	2026

The bank loans were secured by a guarantee for €12,270,000 given by the Company; first pledge over a combined business policy for €8,568,381, 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 Medserv Operations Limited 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 and to maintain the present level of control and interest in Medserv Operations Limited.

23.3 The carrying amount of the notes is made up as follows:

2016	€
Balance at 1 January 2016	19,743,473
Proceeds from issue of notes	30,000,016
Transaction costs	(567,797)
Effect of movement in exchange rate	675,892
Amortisation of transaction costs during the year	682,534
Balance as at 31 December 2016	**50,534,118**

2015	€
Balance at 1 January 2015	19,689,330
Amortisation of transaction costs during the year	54,143
Balance as at 31 December 2015	19,743,473

The notes issued in 2016 are unsecured. The other notes are secured by Medserv Operations Limited (a subsidiary – see Note 15.2) through a general hypothec and a special hypothec over its emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to Note 14.7).

23.4 Furthermore, as at 31 December 2016, the Group enjoyed general overdraft facilities of €4,500,000 at the following terms and conditions:

Bank overdraft	Interest rate	Security
€1,500,000	5.15%	Joint and several guarantees by the parent company
€2,500,000	5.35%	First general Hypothec for €7,500,000 on subsidiary company's assets
€500,000	5.15%	Joint and several guarantees by the parent company

At 31 December 2016, the Group had unutilised bank overdraft facilities of €4,500,000 (2015: €1,411,430).

24 Provisions

	Total	Legal and constructive obligations	Other claims
	€	€	€
Assumed in a business combination	(720,285)	(681,206)	(39,079)
Provisions used during the year	39,317	39,317	-
Effect of movement in exchange rates	(40,022)	(40,022)	-
	(720,990)	(681,911)	(39,079)
Non-current	(681,911)	(681,911)	-
Current	(39,079)	-	(39,079)
	(720,990)	(681,911)	(39,079)

24.1 Legal and constructive obligations

As part of the acquisition of METS (see note 28), the Group recognised legal and constructive obligations amounting to €681,911, consisting of a minimum increment rate of 2% per annum over its future operating lease payments of the Group's lease in Sohar Free Zone, the Sultanate of Oman.

24.2 Other claims

As a result of the acquisition of METS (see note 28), the Group assumed a contingent liability of €39,079.

25 Employee Benefits

25.1

	2016	2015
	€	€
Liability for severance payments	(601,458)	-
Liability for retirement gratuities	(32,679)	(31,073)
	(634,137)	(31,073)
Non-current	(536,629)	(31,073)
Current	(97,508)	-
	(634,137)	(31,073)

25.2 The following table shows a reconciliation from the opening balances to the closing balances for the liability for severance payments and its components.

	2016
	€
Balance at 1 January	-
Assumed in a business combination	(627,297)
Included in profit or loss:	
Interest cost	(42,905)
Effect of movements in exchange rates	(32,242)
Benefits paid	100,986
Balance at 31 December	**(601,458)**

25.3 The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2016
	%
Discount rate	3.5%
Future salary growth per annum	5.0%
Expected term	9.74 years

25.4 Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2016	
	Increase	Decrease
	€	€
Discount rate (1% movement)	47,466	(47,026)
Expected term (1 year)	(39,335)	42,751
Future salary growth per annum (1% movement)	(100,232)	100,232

26 Trade and other payables

26.1	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Trade payables	**4,311,535**	5,338,324	**64,249**	98,931
Amounts due to shareholders	**61,314**	1,013,839	**61,314**	1,425,587
Amounts due to note holders	**6,729**	3,200	**6,729**	3,200
Amounts due to subsidiaries	**-**	-	**1,986,831**	-
Amounts due to non-controlling interest	**749,018**	-	**-**	-
Amounts due to joint venture	**1,242**	-	**-**	-
Accrued expenses	**753,270**	374,828	**31,091**	12,982
Other payables	**327,745**	1,717,576	**-**	57,004
	6,210,853	8,447,767	**2,150,214**	1,597,704

26.2 The amounts due to shareholders are all unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 33 to these financial statements.

26.3 The amounts due to subsidiaries are all unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 33 to these financial statements.

26.4 The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

27 Cash and cash equivalents

		The Group		The Company	
	Note	2016	2015	2016	2015
		€	€	€	€
Cash in hand	23	**149,026**	32,165	**-**	-
Bank balances	23	**6,068,756**	1,004,651	**46,584**	70,813
		6,217,782	1,036,816	**46,584**	70,813
Bank overdraft used for cash management purposes	23	**-**	(2,688,570)	**-**	-
Cash and cash equivalents		**6,217,782**	(1,651,754)	**46,584**	70,813

The Group's and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 30.

28 Acquisition of subsidiary

28.1 On 23 February 2016 Medserv M.E. Limited, a limited liability company incorporated under the laws of Malta and a fully owned subsidiary of the Company, acquired the issued share capital of Middle East Tubular Services Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands. Through this acquisition Medserv M.E. Limited purchased the following companies:

(a) One hundred per cent of Middle East Tubular Services Limited, a limited liability company incorporated under the laws of the British Virgin Islands and having a branch registered in Sharjah, U.A.E.; and
(b) One hundred per cent of Middle East Tubular Services LLC, (FZC), a limited liability free zone company registered in the Sohar Free Zone, the Sultanate of Oman; and
(c) Ninety per cent of Middle East Tubular Services (Iraq) Limited, a limited liability company incorporated under the laws of the British Virgin Islands and having a branch registered in Iraq.

The above METS companies ("METS") operate in the oil country tubular goods (OCTG) market providing an integrated approach to OCTG handling, inspection and repairs based in three Middle East locations, namely:

- Hamriyah Free Zone, Emirate of Sharjah, U.A.E. – offering handling and storage, inspection and machine shop services;
- Khor Al Zubair, Basra, Southern Iraq – offering handling and storage, inspection and machine shop services;
- Sohar Free Zone, Sultanate of Oman – offering handling and storage and inspection services.

The handling and storage services in the U.A.E. and the Sultanate of Oman are also core competences of the Group's other operating segments. Additionally, the METS inspection services fit in well with Group's aspirations and previous skills. The machine shops in U.A.E. and Southern Iraq provide a high margin step-out into a complimentary service area for the Group and an excellent growth prospect for its existing and new clients. The METS companies are a strong regional player with limited competition due to them holding VAM® and API® licenses.

The Group's Board of Directors believe that the METS acquisition will provide the Group with a better-balanced oil services offering in two major niche markets, that is, offshore logistics and engineering services, which represent a low-risk but essential service to the industry.

For the ten months ended 31 December 2016, METS contributed revenue of €13,083,999, an earnings before interest, tax, depreciation and amortization (EBITDA) of €1,745,496 and a loss for the year of €2,696,770. If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been €35.4 million, and consolidated profit for the year would have been €2.8 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

28.2 Consideration transferred

The purchase consideration of Middle East Tubular Services Holdings Limited and its subsidiaries amounted to USD45,000,000 (equivalent to €40,839,795) paid in cash. A deposit of USD3,000,000 (equivalent to €2,727,273) was paid on signing of the share purchase agreement dated 8 October 2015 and the remaining balance was settled on the acquisition date of 23 February 2016.

28.3 Acquisition-related costs

The Group incurred acquisition-related costs of €394,857 on legal fees and due diligence costs. These costs have been included in 'administrative expenses' in 2015.

28.4 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2016
	€
Property, plant and equipment	11,900,589
Intangible assets	15,694,998
Inventories	1,093,210
Trade and other receivables	4,424,781
Cash and cash equivalents	5,409,832
Trade and other payables	(3,766,171)
Total identifiable net assets acquired	**34,757,239**

MEASUREMENT OF FAIR VALUES

The valuation technique used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate.
Intangible assets	Relief-from-royalty method, multi-period excess earnings method and incremental cash flow: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period-excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. The incremental cash flow method attempt to quantify the incremental benefit (and hence value) obtained from use of an intangible asset.
Other identifiable assets and liabilities	These have been measured at their estimated fair value as at acquisition date, unless provided otherwise by IFRS 3 Business Combinations.

The Group has elected to measure the non-controlling interest (NCI) in Middle East Tubular Services (Iraq) Limited at the proportionate share of the identifiable net assets and liabilities acquired.

28.5 Goodwill

Goodwill arising from the acquisition has been recognized as follows:

	2016
	€
Consideration transferred	37,658,998
NCI based on their proportionate interest in the recognised amounts of the assets and liabilities of METS	197,533
Fair value of identifiable net assets	(34,757,239)
Goodwill	3,099,292
Gain on cash flow hedge	(428,094)
Goodwill, net of gain on cash flow hedge	**2,671,198**

The goodwill is mainly attributable to the synergies expected to be achieved from combining the operations of METS with the shore base logistics segment and the skills and technical talent of the METS sub-group's work force. The goodwill arising from the acquisition of METS has been allocated to the OCTG segment.

At the time of preparing the interim financial statements, the fair value of the net assets and consideration transferred used in the Purchase Price Allocation (PPA) exercise had been determined provisionally. The net identifiable assets of the METS sub-group acquired on 23 February 2016 reported in the Group's interim financial statements decreased by €32,646 from €34,789,885 to €34,757,239. This was mainly due to a revision of estimates relating to the fair value of intangible assets identified upon acquisition. Furthermore, the fair value of the consideration transferred increased by €454,399 from €37,204,599 to €37,658,998 after finalisation of one contractual agreement.

Consequently, the goodwill on acquisition increased from the amount previously reported in the interim financial statements by €487,046, from €2,184,152 to €2,671,198.

28.6 Financing transaction

The acquisition of Middle East Tubular Services Holdings Limited was financed through a dual issue made by the Company pursuant to a prospectus dated 21 December 2015. The Company issued €21,982,400 in Euro Bonds and USD9,148,100 in USD Bonds to intermediaries and issued 8,744,399 ordinary shares in the Company by way of a rights issue and by way of an open offer of lapsed rights of shareholders and the offer of the rights held by the major shareholders to intermediaries (that is, the intermediaries offer by the rights held by Mr Anthony S Diacono and those in part held by Malampaya Investments Limited) in all cases at a share offer price of €1.50 per share.

As a result of the dual issue, the Company raised €35,098,998 and USD9,148,100. The said funds were utilised to settle the balance of the purchase consideration of the acquisition of Middle East Tubular Services Holdings Limited and its subsidiaries. The remaining funds are to be used by the Company for the purpose of settling its bank facilities, to finance improvements and/or the development of the Group's existing and new bases and to finance the Group's working capital.

29 Change in accounting policy

Revenue from photovoltaic farm

In 2016, the Group decided to present income generated from the photovoltaic farm, which was previously presented within 'other income', with 'revenue' in the statement of profit or loss and other comprehensive income. The Group believes that this information more closely resembles the way key management decisions are taken and provides more relevant information. In applying this voluntary change in accounting policy there has been no significant effect on the Group's financial performance as this only results in a reclassification between financial statement line items in the statement of profit or loss and other comprehensive income. The key changes to the Group's financial statement line items and related disclosures resulting from this voluntary change in accounting policy are summarised below.

Statement of profit or loss and other comprehensive income

	As previously reported	Adjustment	Restated for the year ended 31 December 2015
	€	€	€
CONTINUING OPERATIONS			
Revenue	42,196,304	525,424	42,721,728
Cost of sales	(29,762,920)	-	(29,762,920)
Gross Profit	12,433,384	525,424	12,958,808
Other income	564,459	(525,424)	39,035
Administrative expenses	(5,366,123)	-	(5,366,123)
Other expenses	(110,870)	-	(110,870)
Results from operating activities	7,520,850	-	7,520,850
Finance income	3,466	-	3,466
Finance costs	(1,507,827)	-	(1,507,827)
Net finance costs	(1,504,361)	-	(1,504,361)
Profit before income tax	6,016,489	-	6,016,489
Tax expense	(1,306,184)	-	(1,306,184)
Profit from continuing operations	4,710,305	-	4,710,305

	As previously reported	Adjustment	Restated for the year ended 31 December 2015
	€	€	€
DISCONTINUED OPERATIONS			
Loss from discontinued operation net of tax	(218,528)	-	(218,528)
Profit for the year	4,491,777	-	4,491,777

Notes to the Financial Statements

	As previously reported	Adjustment	Restated for the year ended 31 December 2015
	€	€	€
DISCONTINUED OPERATIONS			
Revenue			
Offshore logistical support and OCTG services	42,196,304	-	42,196,304
Photovoltaic income	-	525,424	525,424
	42,196,304	525,424	42,721,728
Other Income			
Exchange differences	31,160	-	31,160
Gain on sale of property, plant and equipment	7,875	-	7,875
Photovoltaic income	525,424	(525,424)	-
Reversal of prepaid operating lease	(775,533)	-	(775,533)
Reversal of deferred income	775,533	-	775,533
	564,459	(525,424)	39,035

30 Financial instruments – Fair values and risk management

30.1 Accounting classifications and fair values

Accounting classifications

The Group classifies non-derivative financial assets and non-derivative financial liabilities into the categories of 'loans and receivables' and 'other financial liabilities', respectively. At reporting date, the Group's loans and receivables comprised cash and cash equivalents and trade and other receivables. On the same date, the Company's loans and receivables comprised loans receivable from subsidiaries, cash and cash equivalents and trade and other receivables. The Group's derivative financial assets comprised forward exchange contracts used for hedging. The Group's non-derivative financial liabilities comprised secured notes, loans and borrowings, bank overdrafts and trade and other payables. The Company's non-derivative financial liabilities comprised secured notes and trade and other payables.

Fair values versus carrying amounts

A number of the Group'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 Group uses observable market data whenever sufficient data is available.

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 following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

THE GROUP

	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Financial instruments measured at fair value				
Derivative financial asset	**-**	**-**	1,176,437	1,176,437
Financial instruments not measured at fair value				
Secured notes	**(19,800,875)**	**(21,700,000)**	(19,743,473)	(22,202,000)
Unsecured notes	**(30,733,243)**	**(32,368,612)**	-	-

THE COMPANY

	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Financial instruments not measured at fair value				
Secured notes	**(19,800,875)**	**(21,700,000)**	(19,743,473)	(22,202,000)
Unsecured notes	**(30,733,243)**	**(32,368,612)**	-	-

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

The fair value of financial instruments measured at fair value was determined as follows:

DERIVATIVE FINANCIAL ASSETS

The recurring fair value of the Group's hedging instruments in the prior year was determined by independent brokers having appropriate recognised professional qualifications and experience. The fair value for all such instruments were measured using the market comparison valuation technique and has been categorised within level 2 of the fair value hierarchy. The instruments' fair value as at 31 December 2016 amounted to €Nil (2015: €1,176,437).

The fair value of the hedging instruments was based on the difference between agreed price of selling or buying the financial instruments on a future date and the price quoted on the year-end date for selling or buying the same or similar financial instruments.

The fair value of financial instruments not measured at fair value was determined as follows:

SECURED AND UNSECURED NOTES ISSUED

This category of liabilities is carried at amortised cost. Its fair value has been determined by reference to the market price as at 31 December 2016 and classified as Level 2 in view of the infrequent activity in the market.

LOANS AND RECEIVABLES

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

NON-CURRENT RECEIVABLES FROM SUBSIDIARIES

The fair values of the Company's non-current receivables from subsidiaries 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. These long-term fixed-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

SECURED BANK LOANS

The fair values of the Group'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. The own non-performance risk as at 31 December 2016 was assessed to be insignificant.

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.

30.2 Financial risk management

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

30.3 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors, together with the Group's Audit Committee, are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors set up a Financial Risk Management Committee to assist in the management of the credit risk, liquidity risk and market risk on a day-to-day basis. The Financial Risk Management Committee is made up of a Board member and senior management of the Group.

30.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Carrying amount			
	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Derivative financial asset	**-**	1,176,437	**-**	-
Trade and other receivables	**15,052,420**	12,832,443	**9,947,385**	6,284,717
Receivable from subsidiaries	**-**	-	**47,317,261**	19,387,349
Cash at bank	**6,068,756**	1,004,651	**46,584**	70,813
	21,121,176	15,013,531	**57,311,230**	25,742,879

TRADE AND OTHER RECEIVABLES

The Group 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 Group.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate, has less influence on credit risk. Details of concentration of revenue are included in note 5.4.

Through the Financial Risk Management Committee, the Group has an internal control system which identifies at an early stage any events of default.

Most of the Group's customers have been transacting with the Group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, aging profile, maturity, trade history with the Group and existence of previous financial difficulties.

As at 31 December 2016, the Group's four (2015: two) most significant customers accounted for €8.0 million (2015: €9.5 million) of the trade receivables.

The maximum exposure to credit risk for trade receivables (see note 19.1) at the reporting date by geographic region was as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Carrying Amount				
Domestic	**837,315**	422,742	**-**	-
Eurozone countries	**1,633,193**	2,452,119	**-**	-
Libya	**6,504,215**	9,289,355	**-**	-
Middle East	**3,154,849**	-	**-**	-
Other regions	**682,766**	9,921	**-**	-
	12,812,338	12,174,137	**-**	-

The aging of trade receivables that were not impaired at the reporting date was as follows:

THE GROUP

	Gross	
	2016	2015
	€	€
Not past due	**5,246,786**	7,784,432
Past due 1-30 days	**1,001,923**	1,367,486
Past due 31-120 days	**6,118,522**	2,530,810
More than 120 days	**445,107**	491,409
	12,812,338	12,174,137

Management believes that the unimpaired amounts that are past due by more than 120 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available. One of the Group's customers who owed the Group an amount of €0.9 million as at 31 December 2016 is currently undergoing financial restructuring to strengthen its financial and operational systems.

In this process, the customer has already secured refinancing from its principal lenders until the restructuring is complete. Management believes that this balance is collectible in full when taking into account negotiations to date and its assessment of the customer's credit risk.

An analysis of the credit quality of trade receivables by rating agency category is as follows:

	2016	2015
	€	€
A+	**350,915**	278,306
A	**61,438**	86,243
A-	**1,209,399**	-
BBB+	**1,044,854**	4,009,927
BB-	**36,035**	64,495
B-	**275,004**	362,875
Not rated	**9,834,693**	7,372,291
	12,812,338	12,174,137

The trade receivables which are not rated represent highly reputable subsidiaries of international oil companies who have over five years' trading history with the Group. More specifically, 47% included in the 'not rated' category represent trade receivables who have over forty years' trading history with the Group.

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

	2016	2015
	€	€
Balance at 1 January	**-**	13,745
Movement	**-**	(13,745)
Balance at 31 December	**-**	-

DERIVATIVE FINANCIAL ASSETS

The derivatives were entered into with a bank which is rated AA-, based on ratings by Fitch.

CASH AND CASH EQUIVALENTS

The Group's cash at bank are held with banks which are rated BBB to AA-, based on ratings by Fitch.

30.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As at 31 December 2016, the Group had an unutilised overdraft facility amounting to €4,500,000 (2015: €1,411,430), which bears interest at the Bank's Base Rate plus 3 per cent.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years
THE GROUP	€	€	€	€	€	€	€
31 December 2016							
Financial liabilities							
Secured notes	19,800,875	(28,190,575)	(600,000)	(600,000)	(1,200,000)	(3,600,000)	(22,190,575)
Unsecured notes	30,733,243	(43,692,351)	(753,151)	(734,411)	(1,489,223)	(4,471,749)	(37,390,016)
Secured bank loans	2,633,970	(2,791,560)	(607,114)	(607,114)	(1,577,333)	-	-
Trade and other payables	6,210,853	(6,210,853)	(6,210,853)	-	-	-	-
	59,378,941	(80,885,339)	(8,171,118)	(1,941,525)	(4,266,556)	(8,071,749)	(59,580,591)
31 December 2015							
Financial liabilities							
Secured notes	19,743,473	(29,600,000)	(600,000)	(600,000)	(1,200,000)	(3,600,000)	(23,600,000)
Secured bank loans	3,760,457	(4,061,130)	(626,090)	(626,090)	(1,252,180)	(1,556,770)	-
Trade and other payables	8,447,767	(8,447,767)	(8,447,767)	-	-	-	-
Bank overdraft	2,688,570	(2,722,298)	(2,722,298)	-	-	-	-
	34,640,267	(44,831,195)	(12,396,155)	(1,226,090)	(2,452,180)	(5,156,770)	(23,600,000)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 - 10 years
THE COMPANY	€	€	€	€	€	€	€
31 December 2016							
Financial liabilities							
Secured notes	19,800,875	(28,190,575)	(600,000)	(600,000)	(1,200,000)	(3,600,000)	(22,190,575)
Unsecured notes	30,733,243	(44,838,550)	(753,151)	(734,411)	(1,489,223)	(4,471,749)	(37,390,016)
Other payables	2,150,214	(2,150,214)	(2,150,214)	-	-	-	-
	52,684,332	(75,179,339)	(3,503,365)	(1,334,411)	(2,689,223)	(8,071,749)	(59,580,591)
31 December 2015							
Financial liabilities							
Secured notes	19,743,473	(29,600,000)	(600,000)	(600,000)	(1,200,000)	(3,600,000)	(23,600,000)
Other payables	1,597,704	(1,597,704)	(1,597,704)	-	-	-	-
	21,341,177	(31,197,704)	(2,197,704)	(600,000)	(1,200,000)	(3,600,000)	(23,600,000)

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

30.6 Market risk

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

CURRENCY RISK

The Group 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 respective functional currencies of the Group companies.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group 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 Group to hold on to foreign currency when rates are not favourable until the situation reverses.

During 2015, the Group entered into forward exchange contracts amounting to USD27,000,000 in order to hedge its currency risk on its business combination (see note 28). These forward exchange contracts had a maturity of less than one year and were designated as cash flow hedges.

The carrying amount of forward exchange contracts used for hedging purposes as at 31 December 2015 amounted to €1,176,437. The contracts matured on 16 February 2016. Accordingly, cash flows associated with the cash flow hedge occurred within 12 months.

EXPOSURE TO CURRENCY RISK

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

	31 December 2016				
	USD	GBP	LYD	OMR	AED
Trade receivables	501,293	-	-	873,549	10,292,419
Trade payables	(322,067)	(8,784)	-	(249,514)	(3,313,295)
Unsecured notes	(9,179,430)	-	-	-	-
Bank loan	(1,649,869)	-	-	-	-
Available funds in foreign currency	115,941	-	4,242	1,520,316	1,494,933
Net statement of financial position exposure	**(10,534,132)**	**(8,784)**	**4,242**	**2,144,351**	**8,474,057**

	31 December 2015		
	USD	GBP	LYD
Trade receivables	16,425	-	9,300
Trade payables	(185,503)	(18,465)	-
Bank loan	(2,203,090)	-	-
Available funds in foreign currency	6,894	-	6,242
Net statement of financial position exposure	(2,365,274)	(18,465)	15,542

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

	31 December 2016	
	USD	**AED**
Receivables from subsidiaries	9,256,374	-
Amounts due to subsidiaries	-	(7,691,353)
Unsecured notes	(9,179,430)	-
Available funds in foreign currency	19,587	-
Net statement of financial position exposure	**96,531**	**(7,691,353)**

	31 December 2015
	USD
Available funds in foreign currency	100
Net statement of financial position exposure	**100**

The following significant exchange rates applied during the year:

	Reporting date		Average rate spot rate	
	2016	2015	**2016**	2015
USD	**1.108**	1.094	**1.052**	1.093
GBP	**0.819**	0.734	**0.856**	0.737
LYD	**1.477**	1.490	**1.515**	1.484
OMR	**0.425**	n/a	**0.404**	n/a
AED	**4.069**	n/a	**3.861**	n/a

SENSITIVITY ANALYSIS

A 10 percent strengthening of the Euro against the following currencies as 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 Group and 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 2015.

	The Group	The Company	The Group	The Company
	Profit or loss		Equity	
31 December 2016	**€**	**€**	**€**	**€**
USD	**(3,156)**	**(9,176)**	**1,009,183**	**-**
GBP	**1,026**	**-**	**-**	**-**
LYD	**(275)**	**-**	**-**	**-**
OMR	**-**	**-**	**(530,772)**	**-**
AED	**-**	**198,683**	**(391,088)**	**-**
31 December 2015				
USD	167,036	-	167,036	-
GBP	2,278	-	2,278	-
LYD	(915)	-	(915)	-

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.

30.7 Interest rate risk

Profile

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

	Carrying amount			
	The Group		The Company	
	2016	2015	**2016**	2015
Variable-rate instruments	**€**	€	**€**	€
Financial assets	**6,068,756**	1,004,651	**46,584**	70,813
Financial liabilities	**(2,633,970)**	(6,449,027)	**-**	-
Fixed-rate instruments				
Financial assets	**-**	-	**49,709,234**	19,387,349
Financial liabilities	**(50,534,118)**	(19,743,473)	**(50,534,118)**	(19,743,473)

The Group and 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. A change of 100 basis points in interest rates on fixed-rate instruments is not expected to have a significant effect on the Group's and the Company's equity.

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

A change of 100 basis points in interest rates on variable-rate instruments would have increased or decreased the Group's profit or loss and equity by €34,348 (2015: €54,444) and by €466 (2015: €708) on the Company's profit or loss and equity. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. The analysis is performed on the same basis for 2015.

30.8 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group 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.

30.9 Capital management

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as cumulative translation adjustments are excluded from capital for the purposes of capital management.

The Group's 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 board of directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity. The board also monitors 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 Group'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 Group's approach to capital management during the year.

31 Operating leases

31.1 Leases as lessee

The Group leases a quay, premises and ancillary facilities at Malta Freeport, Kalafrana, similar facilities at the Port of Larnaca, Cyprus 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 until 29 May 2060. The lease in Cyprus has been renewed up to 31 August 2017 and may be renewed subject to the lessor's approval. The lease at Hal Far Industrial Estate runs for a period of ten years from 20 October 2014. Following the acquisition of the METS sub-group (see note 28), the Group has a non-cancellable agreement for lease of land in the Sohar Free Zone in the Sultanate of Oman, measuring 88,000 square meters for a period of 25 years starting from 1 January 2012. Future operating lease rentals are determined using a minimum increment rate of 2% per annum. In Southern Iraq, the Group leases 52,000 square meters of land in Khor Al Zubair Free Zone for a period of 15 years starting from 22 December 2010. In U.A.E., the Group leases 94,387 square meters of land in Hamriyah Free Zone, Sharjah for a period of 25 years starting from 25 June 2006.

At 31 December 2016, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
31 December 2016	**€**	€
Less than one year	**1,463,758**	520,174
Between one and five years	**5,864,945**	-
More than five years	**18,984,846**	-
	26,313,549	520,174

During the year, an amount of €2,040,464 was recognised as an expense in profit or loss in respect of operating leases (2015: €1,742,628).

31.2 Prepaid operating lease

The Group recognised prepaid operating lease on 1 January 2013 representing the fair value of the property rights held by the Group 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 emphytheutical grant deeds, a lease agreement, as well as the operating licence issued by the Malta Freeport Corporation Limited to the Group. An external valuer valued the property rights on the basis of market value on the assumption that the property rights could be sold subject to any existing third party obligations. The market value of the above-mentioned property rights, as at 31 December 2012, amounted to €40,273,431. This amount less the carrying amount of improvements of €3,047,826 included in property, plant and equipment as at 31 December 2012, was established as the fair value of the prepaid operating lease at grant date (refer to accounting policy 3.14). The initial fair value of the prepaid operating lease is being depreciated over the term of the lease expiring in 2060 as follows:

	2016	2015
	€	€
At 1 January	**34,899,006**	35,674,539
Charge for the year	**(775,533)**	(775,533)
At 31 December	**34,123,473**	34,899,006
Non-current	**33,347,940**	34,123,472
Current	**775,533**	775,533
	34,123,473	34,899,005

32 Contingencies

32.1 At reporting date, the Group had the following contingent liabilities:

- Guarantees given to the Group's bankers in favour of third parties amounting to €93,153 (2015: €134,670).
- The Company acts as a guarantor in favour of a subsidiary up to a limit of €12,270,000.

32.2 The Company has uncalled share capital on its investments in subsidiaries, namely Medserv International Limited, Medserv Italy Limited, Medserv Libya Limited, Medserv East Africa Limited and Medserv Eastern Mediterranean Limited amounting to €38,781 (2015: €38,781) (see note 15.2).

33 Related parties

33.1 Significant shareholders

Two of the Company's directors, namely Mr Anthony S Diacono and Mr Anthony J Duncan hold 31.3% and 33.49% (2015: 37.5% each) of the issued share capital of the Company either directly or indirectly.

33.2 Identity of related parties

The Group has a related party relationship with its directors, shareholders and immediate relatives of a director. The Company has a related party relationship with its subsidiaries (see note 15.2), its directors and companies controlled by subsidiaries ("other related parties").

33.3 Transactions with key management personnel

Directors of the Company have indirect and direct control of the voting shares of the Company. Mr Anthony S Diacono and Mr Anthony J Duncan hold 31.3% and 33.49% (2015: 37.5% each) of the issued share capital either directly or indirectly. There were no loans to directors during the current and comparative year. Services provided to the Group by key management personnel during the year amounted to €135,000 (2015: €Nil). The total remuneration paid to key management personnel of the Group (including directors' emoluments) during the year amounted to €1,007,354 (2015: €422,811).

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.

33.4 Other related party transactions

In addition to the transactions disclosed in the statements of changes in equity and cash flows and note 20 to these financial statements, there were the following related party transactions:

	The Company	
	2016	2015
Subsidiaries	**€**	€
Interest charged to	**2,542,191**	1,242,345
Dividends income from	**1,000,000**	4,500,000

	The Group		The Company	
	2016	2015	**2016**	2015
Other related parties	**€**	€	**€**	€
Services provided by	**17,012**	4,210	**-**	-

33.5 Related party balances

Information on amounts due from or payable to related parties are set out in notes 15, 19 and 26 to these financial statements.

34 Subsequent events

Following the award on 26 February 2017 of a long-term contract with the Sumitomo Corporation Tubular Supply Oman (SCTSO) for the supply chain management of OCTG to Petroleum Development Oman (PDO), the Group will setup a new entity and facility in the Special Economic Zone of Duqm in the Sultanate of Oman.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

1. Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Medserv p.l.c. (the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2016, the statements of 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 and the Group as at 31 December 2016, and of their financial performance and their 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 Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") (and, as regards the financial statements of the Group, article 4 of the Regulation on the application of IFRS as adopted by the EU).

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) ("APA"), 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 of our opinion.

KEY AUDIT MATTERS

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

Recognition of Deferred Tax Asset on Tax Credits

[See accounting policy note 3.18 to the financial statements and note 17.3 for further disclosures]

The Key Audit Matter

The Group recognizes a significant deferred tax asset in respect of investment tax credits (ITCs). Due to the volatility in the demand for services offered at the Malta facility, there is inherent uncertainty involved in forecasting future taxable profits that determines the extent to which deferred tax assets can be recognized.

How the Matter was Addressed in our Audit

- We used our tax specialists to assist us in assessing the accuracy of the investment tax credits, taking into account the Group's tax position related to the tax credits and our knowledge and experience of the application of the relevant tax legislation.
- We then tested the Group's budgeting procedures upon which the forecasts were based. We evaluated the assumptions and methodologies used by the Group, in particular those relating to forecast revenues and profit margins. We compared forecast revenues from specific projects and related timings to externally derived data. We challenged forecast revenues from non-specific transactions and compared these to related historical performances.
- We considered key inputs in the forecasts such as competition, the expected level of economic activity within the oil and gas industry in the Central Mediterranean Region and cost inflation. We also performed sensitivity analysis to changes in key assumptions.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

Credit Risk from Slow-paying Customers

[See accounting policy note 3.10.1 to the financial statements and note 30.4 for further disclosures]

The Key Audit Matter

The Group has significant trade receivables from customers operating in the oil & gas industry, which is associated with volatile market conditions. Liquidity strains experienced by such customers may pose a risk of recoverability of related receivables.

How the Matter was Addressed in our Audit

- Our audit procedures included testing the Group's controls over the receivables collection process; testing the receipt of cash after the year-end; and testing the adequacy of the Group's provisions against trade receivables by assessing the directors' specific knowledge on slow-paying customers, including knowledge shared by other customers of the Group, and commitments to settle amounts at a future date.

Acquisition Accounting of METS

[See accounting policy note 3.1.1 to the financial statements and note 28 for further disclosures]

The Key Audit Matter

On 23 February 2016, the Group acquired METS Group. This acquisition is material and requires the use of significant judgement regarding the identification of intangible assets acquired and the valuation of recognised assets and liabilities. The valuation of certain acquired assets involves the use of estimates regarding future cash flows.

How the Matter was Addressed in our Audit

- In testing the valuation of the intangible assets (customer relationships and the brand) acquired we assessed the methodology adopted by management for calculating the fair values, assessed the discount rates applicable to the transaction and assessed the key valuation assumptions. Where applicable we used our valuation experts to review the valuations prepared by management and the expert.
- We assessed the completeness of the identification of the assets and liabilities acquired and assessed the appropriateness of the assets' useful economic lives.
- We read relevant contracts, agreements and board minutes which supported our final conclusion in respect of the manner in which the purchase price has been allocated to the individual assets and liabilities acquired.

Assessment of Carrying Values of Assets, including Goodwill, related to METS

[See accounting policy note 3.10.2 to the financial statements and notes 14.8 and 16.3 for further disclosures]

The Key Audit Matter

METS Group has a significant asset base shared among its different cash-generating units (CGUs). When assessing the carrying values of these assets, including, tangible assets, intangible assets and goodwill, judgement is exercised around the determination of the CGUs and the valuation of intangible assets, which directly impact the carrying value of the goodwill. The carrying values of tangible assets and amortizable intangible assets are to be assessed if there are indicators of impairment. Goodwill and other intangible assets are to be tested annually for impairment. Such assessments required the directors to exercise significant judgement.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

How the Matter was Addressed in our Audit

- In this area, our audit procedures included testing of the Group's assessment for indicators of impairment in respect of tangible assets and amortisable intangible assets.
- As part of our review of the computation of the recoverable amounts of goodwill and those assets where indicators of impairment were identified, we tested the Group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model. Our review included an analysis of the assumptions used by the directors in preparing the forecasts, comparison to actual historical results, analysis of the discount rates used, checking the mathematical accuracy of the forecasts and review of sensitivity analysis.
- We also involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in the determination of recoverable amounts of goodwill and those assets where indicators of impairment were identified.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Chairman's Statement, the statement on Corporate Social Responsibility, the Directors' Report, the Statement of the Directors pursuant to Listing Rule 5.68, the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance and the statement of Directors' Responsibility for the Financial Statements but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the Directors' Report and the Directors' Statement of Compliance with the Principles of Good Corporate Governance, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE 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, as regards the financial statements of the Group, article 4 of the Regulation on the application of IFRS as adopted by the EU), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

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.
- 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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

2. Report on Other Legal and Regulatory Requirements

AUDITORS' OPINION ON THE DIRECTORS' REPORT

The directors of the Company are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Group is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority of Malta.

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.

In accordance with article 179(3) of the Act, we are also required to:

(a) express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements;
(b) state whether, in the light of the knowledge and understanding of the Group 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; and
(c) review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the directors' report; and
- we have nothing to report in relation to the statement on going concern.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION BY THE ACT

We have nothing to report in respect of the following matters where articles 179(10) and (11) of the Act requires us to report to you if, in our opinion:

(a) proper accounting records have not been kept by the Company; or
(b) the Company's financial statements are not in agreement with the accounting records; or
(c) 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.

Independent Auditors' Report

To the Shareholders of Medserv p.l.c.

REPORT REQUIRED BY LISTING RULE 5.98 ISSUED BY THE LISTING AUTHORITY IN MALTA ON THE DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE (THE "PRINCIPLES") OUTLINED IN APPENDIX 5.1 TO CHAPTER 5 (CONTINUING OBLIGATIONS) OF THE LISTING RULES (THE "APPENDIX")

Listing Rule 5.97 requires an Issuer whose securities are admitted to trading on a Regulated Market operating in Malta to prepare a corporate governance statement. In addition, as an Issuer registered in Malta, Listing Rule 5.94 requires that the Company endeavours to adopt the Principles and to prepare a report explaining how it has complied with the provisions of the Appendix.

Our responsibility is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles included in the Group's Annual Report.

We review the Directors' Statement of Compliance, and report as to whether this Statement provides the disclosures required by Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures, nor on the ability of the Group to continue in operational existence.

In our opinion, the Directors' Statement of Compliance provides the disclosures required by Listing Rules 5.94 and 5.97 issued by the Listing Authority of Malta.

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

KPMG
Registered Auditors

5 April 2017

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