Medserv p.l.c.

Annual Report

2020

Company Registration Number: C 28847

Medserv p.l.c.

Annual Report

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Chairman's Statement

For the Year Ended 31 December 2020

The devasting effect of the COVID-19 pandemic on the global economy did not spare our industry or Group. This is reflected in the Financial Statements being covered in this report. As I said in my Chairman's statement of 2019, the quick decisive action taken by my board of directors and management to counter the slowdown in business has made it possible for our Group not only to meet all its financial obligations but also to plan ahead and win new business.

The new market we shall be operating in post-COVID is somewhat different to the one we were used to. The negative financial impact on our clients and our competitor service providers in our industry will compel all of us to restructure our business models, our product and service offering to meet the new demand. Only those who recognise and meet the challenges of this new reality will benefit from the upturn in business. And an upturn in business there will be. This upturn is expected in the second half of 2021 followed by a more aggressive growth in 2022 and the following five years. We expect the price of oil to stabilise and creep upwards as demand for energy increases to power the global recovery.

We are going to experience above average activity in the merger and acquisition market as companies seek to consolidate their position and move to retain market share and increase their product portfolio with the aim of offering their clients a more competitive and efficient service. We at Medserv are conscious of this and are engaged to make sure we are not late in our response to these requirements. The aim is to strengthen both our financial position as well as our ability to not only retain but increase our relevance to our clients. These strategic decisions will also bring value to shareholders and stability in challenging times.

My Board and I are impressed by the results obtained by our management and staff. They performed above expectation in very difficult and challenging times. Once again, the resilience shown by the Group in the most challenging of times demonstrates the professionalism found in our Group and gives us confidence for the future.

Anthony S Diacono
Chairman

30 April 2021

Medserv p.l.c.

CEO's Statement

For the Year Ended 31 December 2020

Reshaped and Growing into a Global Player

2020 has been a year of unprecedented challenges, the COVID-19 pandemic has brought havoc on markets around the world and on our business. Whilst the Group's performance has invariably been hit, we still made progress in the face of severe economic headwinds. Medserv continued to win new contracts and strengthening its position in existing markets. As the global market starts recovering Medserv contracted earnings are expected to resume to pre COVID-19 levels.

Performance 2020

The global pandemic coupled with the downward pressure on the price of oil has had an impact on the Oil and Gas industry generally, particularly in offshore drilling projects. The result of this is that the majority of offshore drilling projects have been postponed rather than cancelled, including those projects involving services offered by Medserv. On the other hand, demand for Medserv's services to the development and production onshore facilities particularly in the Middle East remained ongoing and consistent.

The Company's total revenues for year 2020 amounted to €32.4 million (2019: €68.7 million), a significant decrease over last year. Earnings, before interest, tax, depreciation and amortisation (EBITDA) amounted to €5.6million (2019: €12.7 million). A detailed analysis of the Company's financial performance for the reporting year is provided in the Directors' report.

The Company's objectives during the year were to preserve its liquidity and ensure that it continues to register positive EBITDA sufficient to meet its financial obligations. Immediate measures were adopted across the Group, allowing the Medserv companies to adapt their cost base through lower operating costs and delaying capital expenditure. In Malta, the operating subsidiary benefitted from varying schemes provided by the Government.

The measures taken by management and benefits introduced by Governments allowed the Company to register a cash neutral position for year 2020, whereby cash inflows generated covered all cash outflow obligations for the year.

Values at the heart of the Group

Safety, Respect for Each Other, and Performance-Minded are three integral values in culture instilled by Medserv and shared by all employees. These values guide the daily actions and relations of Medserv with its stakeholders. These three strong values were tried and tested throughout the COVID-19 pandemic as management and employees worked tirelessly in uncharted operating environment.

The Company continues to instil this culture and requires Medserv's employees to act in an exemplary manner especially in the following areas: health, safety, security, environment, integrity in all its forms (particularly, the prevention of corruption, fraud, and anti-competitive practices) and human rights. It is through strict adherence to these values and to this course of action that Medserv intends to build strong and sustainable growth for itself and for all its stakeholders. We will aim to dramatically reduce carbon in the Company's operations and grow new low-carbon services. The investment in a 2.0MWp PV Farm at the Malta shore base was Medserv's first significant initiative to reduce carbon footprint.

Strategy

The world still requires energy, and the African continent will be one of the major growth players. The Company's strategy is to consolidate its position within its core geographical markets being the Mediterranean and the Middle East with a target of aggressive growth in sub-Sahara Africa and Suriname – Guyana region. The Company is significantly active in these new energy frontiers to secure new work within the Company's core competencies.

As announced, the Company is in a transaction process with Regis Holdings Ltd which is expected to be concluded by mid this year. Regis Holdings Ltd provides logistics, equipment, procurement and recruitment services to similar or same customers as Medserv, including national and international oil companies, oilfield services, drilling, mining, construction and Engineering, Procurement and Construction (EPC)/ Engineering, Procurement and Construction Management (EPCM) companies. The main geographical operating markets for Regis Holdings Ltd are Mozambique, Uganda and Angola, a critical growth region for Medserv.

This consolidation of two similar groups operating in two different geographical markets will strengthen the new Company's market position and broaden its geographic footprint in strategic locations around the Mediterranean region, in the Middle East, Sub-Sahara Africa and Suriname. The global reach of the new group will be in four continents, present in twelve countries and operating twelve bases.

The transaction will also allow the new Company to restructure its debt as the Company's equity base will significantly improve as new cash is injected into the new Company. The gearing levels will reduce, allowing the new company to consider various options to finance its growth.

With the introduction of new equity and the improvement in earnings, as demand for energy increases with the recoverability of the global economy, the new Company will be in a position to register profits.

Despite the turmoil experienced in these last twelve months, we remain excited about what the coming years will bring for Medserv. The Company's objective is to continue to deliver value to its customers. This current environment demands a new operating model of better collaboration across the people and materials supply chains. The Company will continue to seek and work with strategic players within its supply chain to provide fully integrated solutions to customers.

We thank our customers for their business and trust, and our shareholders for their support. Lastly, I want to pay particular tribute to my colleagues who have kept our facilities running during this pandemic. Life under lockdown has meant additional challenges and anxiety for everyone. They have sacrificed so much and earned our deepest respect and appreciation.

Karl Bartolo
CEO

30 April 2021

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Statement on Corporate Social Responsibility

For the Year Ended 31 December 2020

The global COVID-19 crisis changed the playing field for Corporate Social Responsibility (CSR). Whilst traditional CSR events and initiatives were cancelled or postponed due to lockdown or social restrictions, CSR worldwide shifted focus from sustainability, climate action and philanthropy to how companies treated and supported their employees and stakeholders during the crisis.

CSR has always essentially been about being held accountable to the shareholders, customers and employees; it is the businesses' responsibility to decide what their CSR will cover and how these affect society, as well as the bottom line. Inevitably the Coronavirus crisis has put companies under additional pressure from investors and bankers to conserve cash and reduce losses. Business continuity and ensuring companies are future ready - ready to resume operations and service their clients, ready to continue providing jobs to support society at large and ready to continue to honour commitments to shareholders - is the essence of a responsible organisation.

As the events of 2020 unfolded, prioritizing the wellbeing of our employees at the various Medserv bases across the globe became our focus.

One of the most damaging effects of lockdown, social isolation, enforced remote working and ultimately experiencing such an extended period of uncertainty, has had an impact on the workforce. Where employees had to be onsite due to the nature of the job, COVID-19 measures added increased stress and challenges both from an operations aspect as well as HR. Our Health, Safety, Security and Equipment (HSSEQ) team as well as our HR and management teams were essential in supporting the staff and ensuring operations were carried out in strict adherence to the HSSEQ processes in place whilst maintaining social distance in line with additional COVID-19 measures.

In addition, the Company has put in place measures to manage redundancies and support our staff during the most challenging times. For a short period during 2020 the Company decided to pay wages at less than full pay by reducing salaries on a sliding scale. Training programmes were maintained and delivered throughout the year.

Whilst 2020 has allowed the Company to focus internally to ensure our people's well-being, the Company's environmental policies were also maintained. The average kWh used per employee per day in 2020 stood at 6.65 kWh which is less than 50% of the EU average per employee. The Company registered drops in the amount of electricity and water consumption as well as Co2 emissions. Whilst some of this would be due to the drop in the activity and less people onsite due to the pandemic, the Company also took the opportunity to make certain changes to the facilities such as switching out most of the lighting to LED.

In addition, our Solar Farm generated 3,228,268 kWh in 2020, an increase of over 40K units over 2019, and avoided 2,103,841kg of CO_2 emissions over the year. The company remains committed to dramatically reduce carbon across all its service lines and global operating footprint.

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Directors' Report

For the Year Ended 31 December 2020

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 2020.

Board of directors

Anthony S Diacono
Anthony J Duncan
Carmelo (a.k.a. Karl) Bartolo (appointed on 31 July 2020)
Etienne Borg Cardona (appointed on 31 July 2020)
Joseph F X Zahra (resigned on 31 July 2020)
Joseph Zammit Tabona
Kevin Rapinett (appointed on 31 July 2020)
Laragh Cassar

Principal activities

The Group's principal activities consist of providing shore base logistics and engineering services to the offshore oil and gas industry and supply chain management for Oil Country Tubular Goods (OCTG) to support the onshore oil and gas industry. Shore base logistics are mainly provided from the Group's bases set up in Mediterranean rim countries and South America, supporting International Oil Companies (IOCs) in their offshore activities ranging from exploration to development and production.

Supply chain management for OCTG are mainly provided by Middle East Tubular Services Group of Companies (METS) from its facilities in the Middle East. The Group is continuously working to cross-sell its services within its Group's operating segments.

Review of business development

Worldwide demand for oil has declined rapidly since the start of 2020 as the governments closed businesses and restricted travel due to the COVID-19 pandemic. As a result, the oil and gas industry has been significantly affected by the macro-economic uncertainty with regards to prices and unprecedented demand levels for hydrocarbons, leading to a historic market collapse in oil prices. Oil prices started to rebound in the second half of the year as production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+) and nations began to emerge from national lockdowns. As the year progressed, optimism about the possible rollout of the COVID-19 vaccines contributed to the stabilisation of oil prices.

The financial performance of the Group during the year was marked with the disruption brought about by the COVID-19 pandemic which caused a number of offshore exploration projects planned for the year to be delayed to the second half of 2021. As a result, the Group's Integrated Logistics Support Services (ILSS) segment, particularly the operations in Malta and Cyprus were significantly impacted consequent to travel bans and closure of ports imposed by Governments. On the other hand, the impact on the performance of the OCTG segment, which is driven by onshore drilling activity in the Middle East, was minimal in certain regions as the National Oil Companies continued with their commitment to the approved projects as well as to increase their production capabilities. The subsidiary in Duqm, Oman continued to generate substantial earnings during the year.

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Directors' Report (continued)

For the Year Ended 31 December 2020

Review of business development (continued)

The performance of the subsidiary in Sohar has continued to improve over the previous year while the volumes of the machine shops in UAE and Iraq were significantly impacted as a result of the reduced drilling activity. Cost saving measures have been applied as the Company remains committed to operating in these two regions as a result of the potential growth opportunities.

At reporting date, the assets and relevant Cash Generating Units (CGUs) in each operating base was tested for impairment. Based on cashflow forecasts and recoverability assessments, the following impairment losses were recorded:

a) impairment loss of €177,269 on the machine shop licences of Middle East Tubular Services Limited ("METS UAE") included within Intangible assets category (see note 16.1);
b) impairment loss of €959,564 on property, plant and equipment of METS UAE (see note 13.6);
c) Impairment loss of €240,423 on property, plant and equipment of Medserv Egypt Oil & Gas Services J.S.C. (see note 13.6);
d) Impairment loss of €444,119 on property, plant and equipment of Medserv Operations Limited (see note 13.6).

As a result of improvement in the market conditions and forecasted profitability of Middle East Tubular Services L.L.C. (FZC) ("METS Oman"), the Company reversed an impairment loss recognised in prior periods amounting to €470,406.

The Company has managed to preserve its liquidity through immediate action taken by management to adapt its cost base through lowering operating costs, as well as benefitting from several government benefits in response to COVID-19. This includes €5 million financing granted under the COVID-19 Guarantee Scheme (CGS) offered by the Malta Development Bank.

Notwithstanding the downturn in the oil and gas industry and project delays, the Group has managed to secure a number of new contracts during the year whilst renewing all its existing contracts across the Group including in Malta and Cyprus. Following an international tender, the Company has signed three new long-term contracts in Egypt, Malta and Abu Dhabi. The investment that the Group has put in place in its management systems during the past years is bearing positive results. Medserv has managed to spread its commercial relationships across four continents within the oil and gas service industry for its core competencies.

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:

Principal risks and uncertainties (continued)

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 2016 to reduce client concentration risk. During the year, the Group has secured contracts with other major IOCs. The strategic development team is continuously working to secure business with new IOCs. In addition, the Company is also marketing its services to various industries to reduce its concentration on the oil and gas industry.

Political risk: The 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 fiscal and economic conditions in Libya remained fragile during the year, characterised by inflation and a persistent political strife. The deterioration in the security situation continues to affect the prospects of its oil industry, though the country has recovered part of its oil production and exports. In Iraq, the political and security situation has been improving since late 2018. Iraq is the second-largest crude oil producer in the OPEC after Saudi Arabia and is therefore a key pillar within the oil market. The Group now operates in eight 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. Similar to other players in the industry, an increase in oil prices would directly benefit the Company from increased services required by oil companies in preparation of the oil exploration. On the other hand, as oil prices decline, energy production companies focus their efforts on increasing operating efficiencies. As companies engaged in oil and natural gas production curtail capital expenditures and seek operating efficiencies in response to lower oil prices, these actions apply downward pressure on the rates charged by drillers, oilfield support services, and other suppliers such as the Company. Accordingly, the Company's profit margins may be tightened due to such weakened demand for the services offered and heightened industry competition to maintain market share. The Group is always striving to reduce this risk by investing in countries where cost of oil production is low, primarily in the Middle East and Africa. Also, the Group's strategy is to increase the number of services offered. The Group's services include *'Offshore Logistics'*, *'Drilling Fluid Manufacture'*, *'OCTG Pipe Services'*, '*Engineering Services'*, '*Environmental Services' and 'Management Services'*.

Financial performance

The Group's turnover for the year amounted to €32,411,788 compared to €68,729,751 registered in 2019, representing a decrease in turnover of €36,317,963, equivalent to 53%. The Group's performance in 2019 was improved with the Nearshore Drilling project in Suriname which started and ended in 2019. Revenue generated by the subsidiary in Suriname during 2019 amounted to €30,503,183 which corresponds to 84% of the decrease in the Group's turnover in 2020. The remaining decrease in turnover is attributable to the missed revenue as a result of the rescheduled projects originally planned for 2020.

As a result, the ILSS segment reported a decrease in revenue of €35,638,246, representing a decrease of 68% over the previous year. The OCTG segment has also registered a decrease in revenue of €694,874, which is equivalent to 4% decrease when compared with last year. The Photovoltaic farm generated €499,882 representing an increase of 3% over the previous year.

The Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Group amounted to €5,565,272 a decrease of 56% when compared with the €12,718,683 generated in 2019. While the OCTG segment has maintained the overall improvement registered in 2019, registering an increase in EBITDA of 34% over 2019, the ILSS segment registered a decrease in EBITDA of €8,402,516, of which €2.3 million is attributable to the project in Suriname and the rest as a result of project rescheduling and delays.

Financial performance (continued)

After recognising depreciation amounting to €7,974,202 (2019: €7,839,572), amortisation amounting to €1,791,069 (2019: €1,791,067), net provision for impairment losses on property, plant and equipment amounting to €1,173,700 (2019: €Nil), and provision for impairment losses of the machine shop licences in UAE amounting to €177,269 (2019: €Nil), the Group generated an operating loss amounting to €5,550,968 (2019: profit of €3,088,044).

After deducting the net finance costs amounting to €4,000,715 (2019: €5,641,431), the Group registered a loss before tax of €9,551,683 (2019: loss before tax of €2,553,387). Loss after accounting for taxation amounted to €8,795,415 (2019: €3,360,983).

Cash generation from operations remained stable across the entire Group and during the year amounted to €10,123,586 (2019: €8,675,135). This improvement is mainly as a result of working capital movements following the receipts from trade debtors in 2020 in relation to the amounts outstanding at the end of 2019 coupled with a lower receivable balance at year end in view of the reduced activity within the ILSS segment. This has allowed the Group to maintain its investment throughout the year, enabling the Group to meet demand and new opportunities.

Revenue

The Group's revenue was 51% (2019: 76%) generated by the ILSS segment, 47% (2019: 23%) by the OCTG segment and the remaining 2% by the photovoltaic income (2019: 0.7%).

Cost of sales and administrative expenses

The cost of sales of the Group for the year amounted to €30,444,298 against €59,391,709 incurred in 2019 mainly due to the lower business activity in the ILSS segment as well as lower employee benefits following the completion of the Nearshore drilling campaign in Suriname and the impact of COVID-19 on the ILSS segment. Gross profit margins decreased by 6% to 14% compared to last year as a result.

Cost of sales also include the amortisation of the intangible assets amounting to €1,472,987 (2019: €1,472,987) which were recognised in 2016 upon the acquisition of METS. These intangible assets consist mainly of customer relationships and is being amortised over a period of ten years.

Other income is mainly made up of the reversal of deferred income during the year amounting to €787,416 (2019: €884,219), reversal of previously recognised impairment losses on property, plant and equipment of Middle East Tubular Services L.L.C (FZC) of €470,406 (2019: €Nil), gain on lease modifications of €511,363 (2019: loss of €43,525) and government grants amounting to €366,778 (2019: €4,381). Other expenses mainly include the impairment losses on property, plant and equipment and licences amounting to €1,644,106 (2019: €Nil) and €177,269 (2019: €Nil) respectively in relation to the machine shop in UAE. The subsidiary in UAE has been experiencing declining volumes along with a number of project delays as a result of the COVID-19 pandemic. As a result, an impairment loss was determined and recognised in the other expenses.

Administrative expenses are mainly fixed by nature. The increase over last year is mainly due to the professional fees in relation to the announced acquisition. In addition, during the year, the Group continued its investment in its business development with the objective of participating in new tenders as opportunities present themselves.

Financial key performance indicators – the Group

	Year 2020 € Million	Year 2019 € Million
Total turnover	**32.41**	68.73
- Integrated Logistics Support Services (ILSS)	**16.56**	52.20
- Oil Country Tubular Goods (OCTG)	**15.35**	16.05
- Photovoltaic Farm	**0.50**	0.48
Adjusted EBITDA	**5.57**	12.72
Loss for the year	**(8.80)**	(3.33)
Cash generated from operating activities	**10.12**	8.68
Cash and cash equivalents	**4.65**	0.63
Equity	**4.29**	14.09
Balance sheet total	**121.77**	150.45
Capital expenditure	**(1.70)**	(1.46)

	Year 2020	Year 2019
EBITDA margin in %	**17.17%**	18.51%
Interest coverage ratio	**1.39**	2.25
Net debt to EBITDA	**9.43**	4.27
Debt to Equity ratio*	**13.31**	3.90
EPS	**(15.5c)**	(5c4)
Average number of employees for the year	**395**	304

** debt to equity is worked out by dividing loans and borrowings by total equity*

Financial position

The equity attributable to the owners of the Company as at 31 December 2020 amounted to €5,343,980 (2019: €14,768,232).

Dividends

No reserves are available for distribution.

Reserves

Accumulated losses amounting to €20,533,443 and €11,944,440 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. The Group is awaiting adjudication on tenders relating to Supply Chain Management contracts in the Middle East during 2021. These long-term contracts are a result of organic growth in the region following the acquisition of the METS Group in 2016.

Future developments (continued)

These long-term projects would provide the Group with consistent and dependable earnings from 2021 onwards. The Company is still experiencing an increasing number of tendering opportunities within its core ILSS and OCTG competencies and is in discussions with IOCs to cross-sell its services for supply chain management of OCTG to support both the offshore and onshore drilling campaigns.

Events occurring after the end of the accounting period

As disclosed in note 32, after the year-end, the Company entered in a conditional agreement to acquire Regis Holdings Limited and selected group companies through a share for share exchange transaction to be completed by 30 June with a long stop date set at 31 July 2021. This agreement complements the two groups in terms of geography and activities and will offer the groups' clients a wider scope of services with the capacity to extend further into new countries. This transaction will also allow a stronger group financial structure with the capacity to undertake larger projects for international and national oil companies.

On 13 January 2021, the Company incorporated a new subsidiary called Medserv Mozambique LDA, a limited liability company registered in Mozambique.

Despite the challenges faced in the last year caused by the COVID-19 pandemic, the Company remains committed to continue to deliver value to its customers. Recovery in the oil and gas industry is expected in the second half of 2021 with drilling activity to be resumed in the same period. For the directors' assessment in relation to the impact of COVID-19 on the Group and Company's going concern assessment, refer to note 2.2.

Outlook

Although the oil industry is going through a challenging period, an upside exists for those companies that will survive this challenge. Oil prices are expected to recover as oil demand rebounds on the back of anticipated global economic recovery combined with the ongoing petroleum supply limitations by the OPEC and the COVID-19 vaccination rates.

The recovery is expected to be gradual. Various energy research firms are predicting both the offshore drilling activity as well as the global oil demand to recover in the second half of 2021, with oil prices predicted to rise to around $60 per barrel. This is up from the average of $41 a barrel registered during the year. Looking further ahead, various forecasts predict oil prices and global drilling activity to improve further within the next five years.

The ILSS segment which consists mainly of Malta for Libya, Egypt, Cyprus and Suriname services most of the offshore oil and gas projects in these respective countries. As explained, offshore drilling activity in Libya has been suspended. Despite the ongoing political and hostile environment currently ensuing in Libya, the Company has remained the shore base of choice by the IOCs for all oil and gas operations offshore Libya. During the year, the Company has secured the renewal of its contracts with the major players operating offshore Libya for the coming three to four years as well as a new contract for the transportation of goods and drilling related equipment from global sites to specific locations in Libya using the Company's facilities in Malta as a logistics hub. The mega development project for the installation of production platforms offshore Libya is on track to commence late in 2021 and is expected to be completed over the coming years.

Outlook (continued)

The subsidiary in Malta will be acting as the logistics base for the development of this project for the offshore Libyan gas field.

The planned drilling projects offshore Cyprus were postponed to the second half of 2021 as a result of the travel bans and closure of ports imposed by Governments in 2020. The earnings from the drilling campaign in Suriname were originally forecasted to be recovered from the drilling projects in Cyprus that were scheduled to commence at the end of the first quarter of 2020. Despite the Suriname drilling campaign terminating at the end of 2019, the Company is committed to maintain its presence in South America and the Caribbean region and has therefore resized its setup to minimise its operating costs. The large finds in Guyana, Trinidad and Tobago, as well as the recent discoveries and future planned activity in Suriname, make this region an exciting growth area for the oil and gas industry.

Drilling and project development in Egypt remain ongoing and expected to improve further in 2021 following the successful award of a new contract in Egypt for the provision of materials and warehouse management services. The Company continues to scout for tenders in Egypt to be rolled out by other IOCs within the Company's core competencies. The Company is keen to increase its participation in this significant growing energy market especially given its proven in-country track record to date.

The supply chain management of OCTG segment has continued to improve further. Oman remains the overall consistent contributor to date within the Group. The securing of the new contract in Abu Dhabi for supply chain management announced on 14 October 2020 has allowed the UAE business unit to improve its performance, however, its machine shop volumes remain down as a result of the pandemic.

The Company still enjoys a strong business pipeline across its core markets, being North Africa, Eastern Mediterranean and the Middle East. As the rollout of the COVID-19 vaccination programme continues worldwide, the long-term energy projects for which the Group is already contracted will resume. The cost of commercialising these projects is relatively low as the investment in the required infrastructure has already been made by the IOCs. Furthermore, such projects are located close to the market or are needed for national consumption.

The Company continued to secure work in 2020 across the Group. The Company has participated in new tenders in Egypt and Sub-Saharan Africa which are at an advanced stage of being adjudicated.

The Board continues to adopt a dual strategy, that of securing sustainable growth through its pipeline and of strengthening the Company's balance sheet. Through the announced share for share exchange of Regis Holdings Limited, the board of directors and senior management will be able to secure this outcome.

Going concern

As required by Listing Rule 5.62, upon due consideration of the Group's and Company's performance and statement of financial position, capital adequacy and solvency, the directors confirm the Group's and 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.

Medserv p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2020

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 one 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.
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 2020, the following persons hold 5% or more of its issued share capital:

Malampaya Investments Limited	34.33%	(18,450,000 shares)
Anthony S Diacono	29.61%	(15,914,242 shares)
Rizzo Farrugia & Co (Stockbrokers) Limited on behalf of clients	10.95%	(5,887,474 shares)

As far as the Company is aware, no other person holds 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 and 5.64.11 are not applicable to the Company.

Pursuant to Listing Rule 5.64.10
The Medserv Group is required to obtain the consent of its bankers in the event of a change of control of the Company, as is customary in most banking terms and conditions.

Pursuant to Listing Rule 5.70.1
There were no material contracts during the financial year 2020 to which the Company, or any of its subsidiaries was a party, and in which anyone of the Company's Directors was directly or indirectly interested.

Medserv p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2020

Company Secretary:	Dr Laragh Cassar LL.D.
Registered Office of Company:	Port of Marsaxlokk Birzebbugia Malta C28847
Telephone:	(+356) 2220 2000

Approved by the Board of Directors on 30 April 2021 and signed on its behalf by:

Anthony S. Diacono
Chairman

Anthony J. Duncan
Director

Medserv p.l.c.

Statement of the Directors pursuant to Listing Rule 5.68

Statement of the Directors pursuant to Listing Rule 5.68

To the best of the knowledge of the directors:

(i) the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and the undertakings included in the consolidation taken as a whole; and

(ii) the Directors' report includes a fair review of the performance of the business and the position of the Company and the undertakings 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 30 April 2021 by:

Anthony S. Diacono
Chairman

Anthony J. Duncan
Director

Medserv p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

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 all share the conviction 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. During 2020, the Board comprised the following directors:

Name	Position
Anthony S. Diacono	Executive Director
Anthony J. Duncan	Executive Director
Joseph Zammit Tabona	Non-Executive Independent Director
Joseph FX Zahra (resigned 31 July 2020)	Non-Executive Independent Director
Laragh Cassar	Non-Executive Director
Kevin Rapinett (appointed 31 July 2020)	Non-Executive Independent Director
Etienne Borg Cardona (appointed 31 July 2020)	Non-Executive Independent Director
Carmelo (a.k.a. Karl) Bartolo (appointed 31 July 2020)	Executive Director

All of the directors were nominated by the shareholders and appointed automatically with effect from the annual general meeting held on the 31 July 2020.

The Board is composed of persons who have the necessary characteristics and experience to render them fit and proper to direct the business of the Company. 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 (which position is occupied by Anthony S. Diacono) 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. Working hand in hand with the Chairman is the Chief Executive Officer (CEO), who leads the executive management of the Medserv Group. The CEO has the primarily task of leading the development and execution of the Company's long-term strategy as well as providing direction and leadership toward the achievement of the Company's philosophy, mission, strategy and its annual goals and objectives.

As set out in Part 2: Non-Compliance with the Code, Principle 2 - Code Provision 2.3, whilst considering Mr Diacono as duly fulfilling the role required of a Chairman in terms of the Listing Rules, Mr Diacono is not considered to meet the independence criteria set out in the Listing Rules.

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 provide the balance of competences that are required, add value to the functioning of the Board and give direction to the Company. The competencies of the Directors ranges from industry, financial and legal expertise. Each of the directors has applied the necessary time and attention for the performance of his/her duties to the Company.

As above set out, up to 31 July 2020, the Board consisted of two executive directors and three non-executive directors. From the 31 July 2020 to date, the board is composed of three executive directors and four non-executive directors. The presence of Non-Executive Directors on the Board serves to, inter alia, constructively challenge the Executive Directors and management of the Company, and particular focus is made on strategy and the integrity of financial performance and management.

Independence - Joseph Zammit Tabona (Non-Executive Director), Etienne Borg Cardona (Non-Executive Director) and Kevin Rapinett (Non-Executive Director) are all considered to be independent within the meaning provided by the Code. Additionally, for the period of his tenure Joseph FX Zahra was considered to be independent – this determination was made notwithstanding Mr Zahra having served on the Board for more than twelve consecutive years.

Medserv p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Each presently appointed non-executive director has declared to the Board as stipulated under the Code Provision 3.4 undertaking:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the board may harm the Company.

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 monitors performance and reports to its satisfaction. The Board, at least on a quarterly basis, evaluates management's implementation of corporate strategy and financial objectives by reference to a number of criteria, including projected earnings and other anticipated criteria.

The Board has an active succession plan in place in respect of the responsibilities assumed by the Executive Directors – the Company has implemented a number of measures aimed at strengthening the Company's management structure. In addition, the Board organises information sessions for Directors from time to time – during 2020, the Board was provided with an overview of the Company's market abuse policies and procedures.

Principle 5: Board Meetings

For the period under review the Board met thirteen (13) times. 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 in good time prior to the actual meetings. 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:

Name	Attendance during tenure
Anthony S. Diacono	10 of 13[1]
Anthony J. Duncan	9 of 13[2]
Joseph Zammit Tabona	12 of 13
Joseph FX Zahra (resigned 31 July 2020)	7 of 7
Laragh Cassar	13 of 13
Kevin Rapinett (appointed 31 July 2020)	6 of 6
Etienne Borg Cardona (appointed 31 July 2020)	6 of 6
Carmelo (a.k.a. Karl) Bartolo (appointed 31 July 2020)	6 of 6

[1] Anthony S. Diacono was absent from three (3) of the 2020 Board meetings due to a declared conflict, in line with the Company's Articles of Association.
[2] Anthony J. Duncan was absent from four (4) of the 2020 Board meetings, three (3) of which were due to a declared conflict, in line with the Company's Articles of Association.

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

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, including the roles set out in Listing Rules 5.127 to 5.130. 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. During 2020, the internal audit function carried out systematic risk-based reviews and appraisals of the operations of the Group for the purpose of advising management and the Board, through the Audit Committee, on the efficiency and effectiveness of management policies, practices and internal controls. As a result of the impact of the COVID-19 pandemic on the Group, the internal auditor's role was made redundant on the 31 December 2020. The Company will continue to keep the matter under observance.

The appointment of the auditors of the Company has been made in line with the Statutory Audit Regulation (Regulation (EU) No 537/2014), in particular in compliance with Articles 16 and 17 of Title III of the said Regulation.

The Chairman of the Audit Committee was appointed by the Board of Directors.

During 2020, the Audit Committee met thirteen (13) times.

Name	Attendance during tenure
Joseph FX Zahra (resigned 31 July 2020)	9 of 9
Joseph Zammit Tabona	13 of 13
Laragh Cassar	13 of 13
Kevin Rapinett (appointed 31 July 2020)	4 of 4
Etienne Borg Cardona (appointed 31 July 2020)	4 of 4

The Board considered each of Mr Zahra and Mr Zammit Tabona as Chairman of the Audit Committee (appointed by the board) to have been independent of the Company, its management and controlling shareholder and competent in accounting and/or auditing (in each case, for the period of their respective tenure). Such determination was based on each of their substantial experience in various audit, accounting and risk management roles throughout their career.

The Board is confident that the Audit Committee Members, as a whole, have competence relevant to the sector in which the Issuer is operating, which competence was garnered over the years as a result of their involvement with the Medserv group.

Financial Risk Committee

The Board has set up a Financial Risk Committee with a view to manage the Group's currency, interest rates, liquidity and foreign exchange risks and to manage 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 each meeting of the Financial Risk Committee.
During 2020, the Financial Risk Committee met five (5) times.

Name	Attendance during tenure
Anthony J. Duncan	5 of 5
Carmelo (a.k.a. Karl) Bartolo	5 of 5
Silvio Camilleri	5 of 5
Colin Galea	5 of 5
Ian Sillato	1 of 1
Kevin Rapinett (appointed as chairman of Committee on 31 July 2020)	2 of 2

Remuneration Committee - This is considered under Principle 8.

Principle 6: Information and Professional Development

The Board appoints the Chief Executive Officer. Appointments and changes to senior management are the responsibility of the CEO and Executive Directors and are approved by the Board. The Board actively considers the professional and technical development of the Board itself, all senior management and staff members. The CEO also has systems in place to monitor management and staff morale. 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 of the Company. 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. No material changes were made to the Company's structures as a result of the Board evaluation.

Principle 8: Remuneration Committee

The Board has set up a Remuneration Committee commissioned with 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 Joseph Zammit Tabona (Chairman), Joseph FX Zahra (up to 31 July 2020), Laragh Cassar, Etienne Borg Cardona (from the 31 July 2020) and Kevin Rapinett (from 31 July 2020) all of whom are non-executive directors. All of the said members (other than Laragh Cassar) are considered to be independent directors.

During 2020, the Remuneration Committee met once to discuss and set the salaries for senior management. All members were present.

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 and Remuneration 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 2020, the Company also communicated to the market through brokers on two occasions. 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.

In terms of the Companies Act, Cap 386 of the laws of Malta, any shareholder/s having 10% or more of the issued share capital of the Company can call a general meeting. This is also reflected in Article 34 of the Company's Articles of Association.

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. Each director's service contract contains provisions which require the director to:

(i) ensure that his/her personal interests do not conflict with the interests of the Company;
(ii) not carry on, directly or indirectly, business in competition with the Company;
(iii) not make personal gains or profits from his post without the consent of the Company, or from confidential information;

(iv) not use any property, information or opportunity of the Company for his own benefit or for the benefit of any third party,

(v) not obtain any benefit in connection with the exercise of his powers, except with the consent of the Company in general meeting.

Furthermore, any director that has a conflict (actual or potential) is required to disclose and record the conflict in full and in time to the Board and is also precluded from participating in a discussion concerning matters in such conflicted matters (unless the Board finds no objection to the presence of such Director). Under no circumstance is the conflicted director, permitted to vote on the matter. This requirement is reflected in Article 68.2 of the Company's Articles of Association.

Principle 12: Corporate Social Responsibility

The Company places substantial importance on 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, the Company's Solar Farm generated 3,228,268 kwh, an increase of over 40K units over 2019, and avoided 2,103,841kg of CO_2 emissions over the year. The average kWh used per employee per day in 2020 stood at 6.65kWh which is less than 50% of the EU average per employee.

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.

The Company's HSSEQ team as well as the HR and management teams were essential in supporting the staff and ensuring operations were carried out in strict adherence to the HSSEQ processes in place whilst maintaining social distancing in line with additional COVID-19 measures.

Part 2: Non-Compliance with the Code

Principle 2 - Code Provision 2.3

Whilst steps have been taken by the Company to segregate the office of Chairman and Chief Executive Officer through the appointment of Mr Carmelo (a.k.a. Karl) Bartolo as Chief Executive Officer of the Group, the Chairman of the Company is not considered to meet the independence criteria set out in the Listing Rules largely due to executive role within the Group (being responsible for strategy) and also being one of the major shareholders of the Company. The Board considers that Mr Diacono duly fulfils the role required of a Chairman in terms of the Listing Rules, notwithstanding his lack of formal independence.

Principle 6: Information and Professional Development

Code Provision 6.4.4 recommends that the CEO establishes a succession plan for senior management. Whilst having identified successors for existing senior management within the existing staff complement, a formal succession plan has not yet been formulated and implemented. The implementation of such a plan will be considered during this financial year.

Medserv p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

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 and considers this to be a process sufficient to evaluate the performance of the board.

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. No such conflicts have arisen to date and in view of the relatively small shareholder base of the Company, the Board does not consider it necessary to establish a formal mechanism for this process.

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 losses. Included with the Company's internal control system are procedures to identify, control and report major risks within a relevant timeframe. Financial reporting is prepared monthly and consolidated quarterly which performance is analysed against budgets and shared with senior management and directors. 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:

Medserv p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

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. Annual budgets and strategic plans are prepared. Performance against these plans is actively monitored and reported to the Board, at minimum on a quarterly basis.

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 Committee also includes the continuous assessment and oversight of such key risks.

Internal Audit

The internal audit function provides independent and objective assurance in respect of adequacy of the design and operating effectiveness of the Company's framework of risk management and control processes focusing on the areas of greatest risk to the Company using a risk-based approach.

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.

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Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

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.

Signed on behalf of the Board of Directors on 30 April 2021 by:

Joseph Zammit Tabona
Director and Member of Audit Committee

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Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Remuneration Report

THIS REPORT ON THE REMUNERATION OF MEDSERV PLC'S (THE "COMPANY") BOARD OF DIRECTORS, INCLUDING THE EXECUTIVE DIRECTORS, HAS BEEN DRAWN UP IN COMPLIANCE WITH THE REQUIREMENTS OF CHAPTER 5 AND 12 OF THE LISTING RULES AND CONTAINS INFORMATION REQUIRED BY THE PROVISIONS OF APPENDIX 12.1 OF THE LISTING RULES.

The Company's remuneration of its Board of Directors and executive management is based on the Remuneration Policy adopted and approved by shareholders at the annual general meeting of 31 July 2020. This policy may be viewed on the Company's website at http://www.medservenergy.com/remuneration-policy

1. The Remuneration Policy

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 Board may approve changes to the fees within the aggregate amount approved by Shareholders at the Annual General Meeting.

The total fees paid to directors (in their role as director) is entirely represented by a fixed remuneration, the emoluments being designed to reflect the directors' knowledge of the business and time committed as directors to the Company's affairs. The total directors' fees paid in the financial year ended 31 December 2020 was €115,000, falling within the amount approved by the shareholders in general meeting in 2014, that is €450,000.

Additionally, 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, inclusive of a variable and non-variable payment, reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the Company.

The Company's senior management may be paid a bonus by the Company – other than the bonus paid to the CEO, the payment and extent of payment of all bonuses paid to senior management is entirely at the discretion of the Board, is subject to the recommendation of the Committee and is based upon the performance of the individual determined in terms of both objective as well as subjective criteria. The present variable remuneration payable by the Company does not contemplate the possibility of being reclaimed. The Chief Executive Officer of the Company is entitled to a performance bonus calculated by reference to the Company's earnings over a specified threshold. Moreover, share options are currently not part of the Company's remuneration policy.

The Remuneration Policy was also approved by the shareholders at the last annual general meeting. This Policy requires the publication of an annual Remuneration Report, with the first year being 2021 for the year under review 2020.

Accordingly, this is the first year that the Company is publishing a Remuneration Report in line with the Remuneration Policy adopted by shareholders at the last AGM, and there are therefore no comparable figures based on the same Remuneration Policy approved in July 2020. The annual Remuneration Report will in future reports refer to previous financial years for comparability. There were no deviations from the procedure for the implementation of the approved Remuneration Policy.

Non-Executive Directors

Fixed Component

The Board believes that, in line with local practice, the fixed honorarium for non-executive directors is the principal component that compensates directors for their contribution as members of the Board. None of the non-executive directors have employment contracts with the Company and each non-executive director serves from one annual general meeting to the next, when the appointment of directors is conducted at the annual general meeting.

Accordingly, none of the non-executive directors are entitled to any compensation if they are removed from office. Such removal would require an ordinary resolution of the shareholders at a general meeting. The directors are entitled to be paid travelling and other reasonable expenses incurred by them in the performance of their duties as directors. Other than the payment for legal and company secretarial services rendered by Dr Laragh Cassar, the Company does not remunerate the non-executive directors in any other manner, nor does it provide any loans or other guarantees to them.

Variable Component

The non-executive directors of the Company do not receive any variable component of remuneration.
The following table shows the overall remuneration of non-executive directors paid by the Company and its subsidiary companies for the financial year ended 31 December 2020:

Non-Executive Directors	Fixed Remuneration
Joseph Zammit Tabona	€23,000
Laragh Cassar	€18,833
Joseph FX Zahra (resigned 31 July 2020)	€10,500
Etienne Borg Cardona (appointed on 31 July 2020)	€8,333
Kevin Rapinett (appointed on 31 July 2020)	€8,333
Total	€68,999

Executive Directors

The Company has three senior executives (as per the definition in the Code of Principles of Good Corporate Governance) that are appointed members of the Board. The executive directors are Anthony S. Diacono (the Chairman), Carmelo (a.k.a. Karl) Bartolo (CEO) and Anthony J. Duncan (Finance Director), each of whom have service contracts with the Company entitling them to a fixed salary. The CEO is employed on an indefinite basis whereas the Chairman and the Finance Director are employed on a definite contract. None of the said service contracts include provisions for termination payments and other payments linked to early termination or supplementary pensions/retirement schemes.

Fixed Remuneration – Salary

The executive directors of the Company are entitled to receive directors' fees for the remuneration as directors and a salary for their executive role within the Group. During 2020, due to the events occasioned by the Covid-19 pandemic and the impact on the Company, the Executive Directors offered to have their salary reduced as set out in the next table.

The following shows the overall remuneration of executive directors paid by the Company and its subsidiary companies for the financial year ended 31 December 2020:

Executive Director	Directors Fee	Gross Salary	Gross Salary (after voluntary reduction)	Fringe Benefits	Total Fixed Remuneration
Chairman	€18,833	€293,001	€254,447	-	€254,447
Finance Director	€18,833	€220,000	€176,942	-	€176,942
CEO	€8,333	€300,000	€246,349	€1,976	€248,325

Variable Remuneration

The Chairman and the Finance Director are entitled to a performance bonus entirely at the discretion of the Company and based on personal and company results achieved. The CEO is entitled to a bonus which is calculated by reference to the Company's earnings over a specified threshold. The Chairman, the Finance Director and the CEO did not receive a bonus for the year ended 31 December 2020.

The foregoing Remuneration Report is being put forward to an advisory vote of the 2021 AGM in accordance with the requirements of the MFSA listing rule 12.26 L.

This Remuneration Report has been prepared by the directors and is signed by the Chairman as authorised by the board. The contents of this Remuneration Report have been checked by the auditors as required by Listing Rule 12.26N and their report is appended herewith.

Joseph Zammit Tabona
Chairman, Remuneration Committee
30 April 2021

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Financial Statements

2020

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Statements of Financial Position

As at 31 December 2020

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**€**	€	**€**	€
ASSETS					
Property, plant and equipment	13	**27,735,833**	31,472,005	**-**	-
Intangible assets and goodwill	16	**9,836,099**	11,751,165	**-**	-
Contract costs	6	**-**	368,245	**-**	-
Investments in subsidiaries	14	**-**	-	**17,786,446**	20,227,905
Equity-accounted investees	15	**300**	300	**300**	300
Loans receivables from subsidiaries	24	**-**	-	**39,516,253**	43,550,676
Right-of-use assets	29	**62,189,513**	75,847,997	**-**	-
Deferred tax assets	17	**3,490,597**	4,064,524	**-**	-
Total non-current assets		**103,252,342**	123,504,236	**57,302,999**	63,778,881
Inventories	18	**1,086,905**	1,382,852	**-**	-
Current tax assets		**183,124**	106,952	**399**	-
Trade and other receivables	19	**9,629,235**	17,783,902	**71,216**	26,257
Contract costs	6	**318,080**	318,080	**-**	-
Contract assets	6	**32,210**	1,607,674	**-**	-
Cash at bank and in hand	27	**7,266,775**	5,742,979	**1,035,682**	14,225
Total current assets		**18,516,329**	26,942,439	**1,107,297**	40,482
Total assets		**121,768,671**	150,446,675	**58,410,296**	63,819,363

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Statements of Financial Position (continued)

As at 31 December 2020

	Note	The Group 2020	2019	The Company 2020	2019
		€	**€**	**€**	**€**
EQUITY					
Share capital	20	**5,374,441**	5,374,441	**5,374,441**	5,374,441
Share premium	20	**12,003,829**	12,003,829	**12,003,829**	12,003,829
Accumulated losses	20	**(20,533,443)**	(12,438,608)	**(11,944,440)**	(4,457,372)
Other reserves	20	**8,499,153**	9,828,570	-	-
Equity attributable to owners of the Company		**5,343,980**	14,768,232	**5,433,830**	12,920,898
Non-controlling interests		**(1,052,199)**	(680,015)	-	-
Total equity		**4,291,781**	14,088,217	**5,433,830**	12,920,898
LIABILITIES					
Loans and borrowings	23	**55,306,589**	52,792,390	**49,799,298**	50,343,740
Employee benefits	25	**799,302**	959,789	-	-
Deferred income	22	**30,574,543**	31,071,722	-	-
Lease liabilities	29	**17,345,402**	29,171,115	-	-
Trade and other payables	26	**2,120,434**	1,859,910	-	-
Deferred tax liabilities	17	**608,079**	1,984,110	-	-
Total non-current liabilities		**106,754,349**	117,839,036	**49,799,298**	50,343,740
Bank overdraft	23/27	**2,615,439**	5,117,977	-	-
Employee benefits	25	**-**	15,915	-	-
Loans and borrowings	23	**1,812,269**	2,145,528	-	-
Trade and other payables	26	**4,452,634**	9,078,996	**3,177,168**	554,226
Current tax liabilities		**5,820**	11,682	-	499
Deferred income	22	**812,114**	775,533	-	-
Lease liabilities	29	**1,024,265**	1,373,791	-	-
				-	
Total current liabilities		**10,722,541**	18,519,422	**3,177,168**	554,725
Total liabilities		**117,476,890**	136,358,458	**52,976,466**	50,898,465
Total equity and liabilities		**121,768,671**	150,446,675	**58,410,296**	63,819,363

The notes on pages 10 to 103 are an integral part of these financial statements.

The financial statements on pages 1 to 103 were approved and authorised for issue by the Board of Directors on 30 April 2021 and signed on its behalf by:

Anthony S Diacono
Chairman

Anthony J Duncan
Director

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Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2020

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**€**	**€**	**€**	**€**
CONTINUING OPERATIONS					
Revenue	6	**32,411,788**	68,729,751	**-**	-
Cost of sales	8	**(30,444,298)**	(59,391,709)	**-**	-
Gross profit		**1,967,490**	9,338,042	**-**	-
Other income	7	**2,683,966**	1,375,505	**-**	-
Administrative expenses	8	**(8,113,216)**	(7,512,526)	**(4,742,781)**	(559,083)
Impairment loss on financial assets	28	**(257,639)**	(69,452)	**(2,286,661)**	(3,228,135)
Other expenses	7	**(1,831,569)**	(43,525)	**-**	-
Operating profit/(loss)		**(5,550,968)**	3,088,044	**(7,029,442)**	(3,787,218)
Finance income	10	**1,043,000**	51,075	**3,147,878**	3,155,218
Finance cost	10	**(5,043,715)**	(5,692,506)	**(3,605,357)**	(3,129,802)
Net finance (cost)/income	10	**(4,000,715)**	(5,641,431)	**(457,479)**	25,416
Loss before income tax		**(9,551,683)**	(2,553,387)	**(7,486,921)**	(3,761,802)
Tax income/(expense)	11	**756,268**	(807,596)	**(147)**	(147)
Loss from continuing operations		**(8,795,415)**	(3,360,983)	**(7,487,068)**	(3,761,949)
Discontinued operation					
Profit from discontinued operations, net of tax		**-**	27,719	**-**	-
Loss for the year		**(8,795,415)**	(3,333,264)	**(7,487,068)**	(3,761,949)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net (income)/loss on hedge of net investment in a foreign operation	20	**706,066**	(160,278)	**-**	-
Foreign currency translation differences – foreign operations	28.6	**(1,707,087)**	82,311	**-**	-
Other comprehensive income		**(1,001,021)**	(77,967)	**-**	-
Total comprehensive income		**(9,796,436)**	(3,411,231)	**(7,487,068)**	(3,761,949)

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Statements of Profit or Loss and Other Comprehensive Income (continued)

For the Year Ended 31 December 2020

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**€**	**€**	**€**	**€**
Loss attributable to:					
Owners of the Company		**(8,353,819)**	(2,924,594)	**(7,487,068)**	(3,761,949)
Non-controlling interests		**(441,596)**	(408,670)	**-**	-
		(8,795,415)	(3,333,264)	**(7,487,068)**	(3,761,949)
Total comprehensive income attributable to:					
Owners of the Company		**(9,424,252)**	(2,977,156)	**(7,487,068)**	(3,761,949)
Non-controlling interests		**(372,184)**	(434,075)	**-**	-
		(9,796,436)	(3,411,231)	**(7,487,068)**	(3,761,949)
Earnings per share					
Basic earnings per share	21	**(15c5)**	(5c4)	**(13c9)**	(7c0)
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	12	**5,565,272**	12,718,683	**-**	-

The notes on pages 10 to 103 are an integral part of these financial statements.

Medserv p.l.c.

Statement of Changes in Equity – The Group

For the Year Ended 31 December 2020

	Attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Revaluation reserve	Hedging reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2019	5,374,441	12,003,829	(443,533)	10,763,556	(133,133)	(8,215,519)	19,349,641	(652,926)	18,696,715
Total comprehensive income									
Loss	-	-	-	-	-	(2,924,594)	(2,924,594)	(408,670)	(3,333,264)
Other comprehensive income	-	-	107,716	-	(160,278)	-	(52,562)	(25,405)	(77,967)
Total comprehensive income	-	-	107,716	-	(160,278)	(2,924,594)	(2,977,156)	(434,075)	(3,411,231)
Transactions with owners of the Company									
Change in ownership interest									
Transfers between reserves	-	-	-	(258,983)	-	258,983	-	-	-
Acquisition of non-controlling interest without a change in control	-	-	(46,775)	-	-	(1,557,478)	(1,604,253)	406,986	(1,197,267)
Total transactions with owners of the Company	-	-	(46,775)	(258,983)	-	(1,298,495)	(1,604,253)	406,986	(1,197,267)
Balance at 31 December 2019	**5,374,441**	**12,003,829**	**(382,592)**	**10,504,573**	**(293,411)**	**(12,438,608)**	**14,768,232**	**(680,015)**	**14,088,217**

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Statement of Changes in Equity – The Group

For the Year Ended 31 December 2020

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Translation reserve**	**Revaluation reserve**	**Hedging reserve**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total equity**
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2020	5,374,441	12,003,829	(382,592)	10,504,573	(293,411)	(12,438,608)	14,768,232	(680,015)	14,088,217
Total comprehensive income									
Loss	-	-	-	-	-	(8,353,819)	(8,353,819)	(441,596)	(8,795,415)
Other comprehensive income	-	-	(1,776,499)	-	706,066	-	(1,070,433)	69,412	(1,001,021)
Total comprehensive income	**-**	**-**	**(1,776,499)**	**-**	**706,066**	**(8,353,819)**	**(9,424,252)**	**(372,184)**	**(9,796,436)**
Transactions with owners of the Company									
Change in ownership interest									
Transfers between reserves	-	-	-	(258,984)	-	258,984	-	-	-
Total transactions with owners of the Company	**-**	**-**	**-**	**(258,984)**	**-**	**258,984**	**-**	**-**	**-**
Balance at 31 December 2020	**5,374,441**	**12,003,829**	**(2,159,091)**	**10,245,589**	**412,655**	**(20,533,443)**	**5,343,980**	**(1,052,199)**	**4,291,781**

The notes on pages 10 to 103 are an integral part of these financial statements.

Medserv p.l.c.

Statement of Changes in Equity – The Company

For the Year Ended 31 December 2020

	Share capital	Share premium	Accumulated losses	Total equity
	€	€	€	€
Balance at 1 January 2019	5,374,441	12,003,829	(695,423)	16,682,847
Total comprehensive income				
Loss	-	-	(3,761,949)	(3,761,949)
Balance at 31 December 2019	5,374,441	12,003,829	(4,457,372)	12,920,898
Balance at 1 January 2020	**5,374,441**	**12,003,829**	**(4,457,372)**	**12,920,898**
Total comprehensive income				
Loss	-	-	(7,487,068)	(7,487,068)
Balance at 31 December 2020	**5,374,441**	**12,003,829**	**(11,944,440)**	**5,433,830**

The notes on pages 10 to 103 are an integral part of these financial statements.

Medserv p.l.c.

Statements of Cash Flows

For the Year Ended 31 December 2020

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**€**	€	**€**	€
Cash flows from operating activities					
Loss for the year		**(8,795,415)**	(3,333,264)	**(7,487,068)**	(3,761,949)
Adjustments for:					
Depreciation	13,29	**7,974,202**	7,839,572	**-**	-
Reversal of deferred income	7.1	**(787,416)**	(884,219)	**-**	-
(Gain)/loss on lease modification	7.1	**(511,363)**	(43,525)	**-**	-
Amortisation of intangible assets	16.1	**1,472,987**	1,472,987	**-**	-
Amortisation of signing bonus	6.3	**318,080**	318,080	**-**	-
Impairment losses on trade receivables, contract assets and related party receivables	28	**257,639**	69,452	**-**	-
Impairment losses on property, plant and machinery	7.2	**1,173,700**	-	**-**	-
Impairment loss on intangible asset	7.2,16	**177,269**	-	**-**	-
Tax (income)/expense	11	**(756,268)**	807,596	**147**	147
Exchange differences	7.1	**(247,703)**	(332,799)	**-**	-
Provision for discounted future gratuity payments		**2,192**	15,915	**-**	-
Loss/(gain) on disposal of property, plant and equipment	7.2	**10,194**	-	**-**	-
Net finance costs/(income)	10	**4,000,715**	5,641,431	**457,479**	(25,416)
Reversal of provision		**-**	(39,078)	**-**	-
Impairment loss on amounts owed by subsidiaries		**-**	-	**2,371,152**	613,169
Impairment losses on investments in subsidiaries		**-**	-	**3,487,810**	2,614,966
Impairment loss on receivables from joint venture		**-**	-	**67,179**	-
		4,288,813	11,532,148	**(1,103,301)**	(559,083)
Change in inventories		**295,947**	(108,148)	**-**	-
Change in trade and other receivables		**8,154,667**	(3,053,290)	**(160,824)**	-
Contract assets		**1,575,464**	(1,539,899)	**-**	-
Change in trade and other payables		**(4,365,838)**	933,603	**102,421**	(89,626)
Change in related party balances		**-**	-	**574,533**	831,225
Change in provisions and employee benefits		**(176,402)**	112,350	**-**	-
Cash generated from/ (absorbed by) operating activities		**9,772,651**	7,876,764	**(587,171)**	182,516
Bank interest paid		**351,694**	795,807	**-**	-
Bank interest received		**-**	1,457	**-**	-
Tax (paid)/received		**(759)**	1,107	**(1,045)**	1,107
Net cash from/ (used in) operating activities carried forward		**10,123,586**	8,675,135	**(588,216)**	183,623

Medserv p.l.c.

Statements of Cash Flows (continued)

For the Year Ended 31 December 2020

	Note	The Group 2020 €	2019 €	The Company 2020 €	2019 €
Net cash from/(used in) operating activities carried forward		**10,123,586**	8,675,135	**(588,216)**	183,623
Cash flows from investing activities					
Receipts from disposal of property, plant and equipment		**16,587**	282,451	**-**	-
Acquisition of property, plant and equipment	13	**(1,696,203)**	(1,459,712)	**-**	-
Investment in associate		**-**	(300)	**-**	(300)
Bank interest received		**-**	6,217	**-**	21
Interest received from subsidiaries		**-**	-	**4,261,289**	2,465,988
Net cash (used in)/from investing activities		**(1,679,616)**	(1,171,344)	**4,261,289**	2,465,709
Cash flows from financing activities					
Loan advanced by bank	23	**5,000,000**	246,857	**-**	-
Repayments of bank loans		**(2,278,716)**	(1,699,256)	**-**	-
Interest paid on bank loans		**(351,694)**	(795,807)	**-**	-
Interest paid on notes		**(2,651,616)**	(2,651,023)	**(2,651,616)**	(2,651,023)
Payment of lease liabilities	29	**(3,694,464)**	(4,136,489)	**-**	-
Net cash used in financing activities		**(3,976,490)**	(9,035,718)	**(2,651,616)**	(2,651,023)
Net increase/(decrease) in cash and cash equivalents		**4,467,480**	(1,531,927)	**1,021,457**	(1,691)
Cash and cash equivalents at 1 January		**625,002**	2,407,013	**14,225**	15,916
Effect of exchange rate fluctuations on cash held		**(414,252)**	(223,190)	**-**	-
ECL allowance on cash at bank	28.4	**(26,894)**	(26,894)	**-**	-
Cash and cash equivalents at 31 December	27	**4,651,336**	625,002	**1,035,682**	14,225

The notes on pages 10 to 103 are an integral part of these financial statements.

1 Reporting entity

Medserv p.l.c. (the "Company") is a public liability company domiciled and incorporated in Malta. The principal activity of the Company is that of a holding company (see note 14).

The consolidated financial statements of the Company as at and for the year ended 31 December 2020 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 South America 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.

Details of the Group's accounting policies are included in Note 3.

2.2 Going concern basis of accounting

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have negatively impacted the performance of the Group's operations. The drastic measures taken worldwide to mitigate the spread of COVID-19 led to an unprecedented drop in the demand for oil and gas and a corresponding collapse in oil prices. No offshore projects undertaken by the Company's customers have been cancelled, however the government measures led to their postponement to the second half of 2021. Despite the operational challenges presented by COVID-19, the Company remained operational and continued to service its customers.

Although the Group sustained a loss after tax for the year amounting to €8.8 million (2019: €3.4 million), it reported a positive adjusted EBITDA (note 12) of €5.6 million (2019: €12.7 million) and generated operating cash inflows of €10.1 million (2019: €8.7 million). The Group's net asset value amounted to €4.3 million (2019: €14.1 million) and it had positive working capital amounting to €7.8 million (2019: €8.4 million).

2 Basis of preparation (continued)

2.2 Going concern basis of accounting (continued)

The Company, which primarily acts as a funding vehicle for the Group, sustained a loss for the year amounting to €7.5 million (2019: €3.8 million), had a net asset value of €5.4 million (2019: €12.9 million) and had a negative working capital of €2.1 million (2019: positive working capital of €514 thousand).

During the year under review, the Company secured bank finance through the MDB COVID-19 Guarantee Scheme (CGS) of €5 million with a subsidised interest rate to aid the finance of its working capital and continues to benefit from a number of government schemes aimed to support businesses in Malta. The Group has €5.1 million of resources comprising cash and cash equivalents and unused credit lines available at the date of authorisation of these financial statements.

The scale and duration of the COVID-19 pandemic and its impact on the Group remains uncertain and would be expected to continue to affect the Group's operations until the situation returns to normal, with a consequent impact on the Company's operations in view that it has no operating revenue and depends on cash inflows from the Group. Nonetheless, the Group still enjoys a strong business pipeline across its core markets, being North Africa, Eastern Mediterranean and the Middle East, which will allow the Group to continue its financial plan to establish a sustainable long-term capital structure (including reducing indebtedness) and position itself for long-term growth.

The Group continues to take appropriate measures to preserve liquidity whilst ramping up its operations to pre-Covid levels and seek ways of strategically diversifying its geographic markets and client base, positioning itself for growth in various new significant oil and gas markets. As postponed projects resume and drilling activity ramps up, the Group expects significant potential upside opportunities for earnings and cash flows.

Furthermore, as announced on 12 April 2021, the Company concluded a conditional agreement to acquire Regis Holdings Limited in order to strengthen the Company's capability of delivering value to all stakeholders with an immediate improvement in the equity and liquidity positions of the Group. The directors strongly believe that the conditions precedent outlined in Note 32 to this transaction do not represent any substantial hurdle and therefore expect the transaction to be completed 30 June with a long stop date set at 31 July 2021.

Considering the factors and circumstances as described above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2 Basis of preparation (continued)

2.5 Use of estimates and judgements

In preparing these financial statements, management has made judgements and estimates that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 13 and 29 – impairment test of property, plant and equipment and right-of-use assets of Company's subsidiaries: key assumptions underlying recoverable amounts;

- Note 14 and Note 19 – impairment test of investments in and loans receivable from subsidiaries: key assumptions underlying recoverable amounts;

- Note 16 – impairment test of goodwill: key assumptions underlying recoverable amount; and

- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which investment tax credits can be utilised;

- Note 28.4 – measurement of ECL allowance for trade receivables: key assumptions in determining the loss given default and macro-economic adjustments; and

- Note 29 – significant assumptions applied in measuring fair values of revalued items of right-of-use assets.

3 Significant accounting policies

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 3.9). 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.

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 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

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 Significant accounting policies (continued)

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.

3.2.2 Foreign operations

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 note 3.2.4); and

- qualifying cash flow hedges to the extent the hedges are effective (see note 3.2.4).

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, except to the extent that the translation difference is allocated to NCI. 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, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

3 Significant accounting policies (continued)

3.2.3 Hedge accounting (continued)

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss

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.

Net investment hedges

When a derivative instrument or 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, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses 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 or foreign exchange gains and losses on the non-derivative are 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 and recognised in profit or loss and 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 “finance income” or “finance costs” depending on whether foreign currency movement is in a net gain or net loss position.

3.3 Financial instruments

3.3.1 Recognition and initial measurement

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

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.1 Recognition and initial measurement (continued)

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

3.3.2 Classification and subsequent measurement

3.3.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

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

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

3.3.2.2 Financial assets – Business model assessment

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

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.2 Classification and subsequent measurement

3.3.2.2 Financial assets – Business model assessment (continued)

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

3.3.2.3 Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

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

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

3.3.2.4 Financial assets – Subsequent measurement and gains and losses

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

The Company's financial assets comprise loans to subsidiaries, cash and cash equivalents and trade and other receivables. The Group's financial assets comprise cash and cash equivalents, trade and other receivables and contract assets.

3.3.3 Derecognition

Financial assets

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

Financial liabilities

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

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

3.3.4 Offsetting

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

3 Significant accounting policies (continued)

3.4 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.

3.5 Property, plant and equipment

3.5.1 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.

3.5.2 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.

3.5.3 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.

3 Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

3.5.3 Depreciation (continued)

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

	2020
	years
• buildings and base improvements	3 – 42
• furniture and fittings	10
• office and computer equipment	5
• plant and equipment	6 - 15
• motor vehicles	4
• cargo carrying units	10
• photovoltaic farm	20

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

3.6 Intangible assets and goodwill

3.6.1 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 arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. 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.

3.6.2 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 Significant accounting policies (continued)

3.6 Intangible assets and goodwill (continued)

3.6.3 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

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

3.7 Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

3 Significant accounting policies (continued)

3.7 Leases (continued)

3.7.1 As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of–use assets varies between 3 and 42 years. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

3 Significant accounting policies (continued)

3.7 Leases (continued)

3.7.1 As a lessee

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

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

3.8 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.

3.9 Impairment

3.9.1 Financial assets

3.9.1.1 Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost.

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

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

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

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

3 Significant accounting policies (continued)

3.9 Impairment (continued)

3.9.1 Financial assets (continued)

3.9.1.1 Financial instruments and contract assets (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3.9.1.2 *Measurement of ECLs*

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

ECLs are discounted at the effective interest rate of the financial asset.

3.9.1.3 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

3 Significant accounting policies (continued)

3.9 Impairment (continued)

3.9.1 Financial assets (continued)

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

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

3.9.1.5 Write-off

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

3.9.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, 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.

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 or CGU. 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 CGU. 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.

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 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.

3 Significant accounting policies (continued)

3.9 Impairment (continued)

3.9.2 Non-financial assets (continued)

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.

For impairment testing of Goodwill that is allocated to a group of CGUs, any resulting impairment losses are allocated first to reduce the carrying amounts of the other assets in the group of CGUs, and then to reduce the carrying amount of Goodwill.

3.10 Investments in subsidiaries

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

3.11 Employee benefits

3.11.1 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.

3.11.2 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.

3.11.3 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 by the employer. 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. Re-measurement of the liability, which comprise actuarial gains and losses, are recognised immediately in OCI.

3 Significant accounting policies (continued)

3.11 Employee benefits (continued)

3.11.3 Severance payments (continued)

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.

3.12 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.

3.13 Revenue

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

3.13.1 Performance obligations and revenue recognition policies

The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments, see note 5.

The Group is engaged in providing integrated logistics support services (ILSS) 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. Services and support provided to the offshore oil and gas industry consists of integrated offshore logistics, engineering support services, supply of goods and management services. OCTG services to the onshore oil and gas market consists of handling and storage, inspection and machine shop services and other ancillary services.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

3 Significant accounting policies (continued)

3.13 Revenue (continued)

3.13.1 Performance obligations and revenue recognition policies (continued)

3.13.1.1 Integrated Logistics Support Services (ILSS)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Logistic support services	The Group performs and provides logistics services to international oil companies carrying out offshore drilling campaigns. The Group delivers fully integrated supply base services which connect all the elements of the clients' logistics and materials management activities. Logistics support services include provision of equipment, personnel, warehousing, quays and land in a certified facility aimed at supporting offshore oil and gas drilling activities. Invoices are issued on a monthly basis and are usually payable within 30 to 60 days. Uninvoiced amounts are presented as contract assets.	Logistic support services provided are routine or recurring in nature and span over a period of time. These services have been identified as a series of distinct services transferred to the customer in the same pattern. The customer simultaneously receives the benefits provided as the service are being rendered. Revenue is recognised over time as the services are provided.
Engineering services	The Group through its engineering division carries out a full range of essential, non-critical engineering and technical services for the offshore platforms and drilling rigs. Services range from fabric maintenance, corrosion protection, riser inspection services, rig repair, technical services and general fabrication and maintenance. Engineering services have been identified as a bundle of distinct goods or services that form one single obligation Invoices are issued according to contractual terms and are usually payable within 30 to 60 days. Uninvoiced amounts are presented as contract assets.	As the Group's performance creates or enhances an asset that the customer controls as the asset is created. Revenue is recognised over time as the services are provided. The stage of complation for determining the amount of revenue is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on customer specific contract or based on the list prices at which the Group sells the services in separate transactions.

3 Significant accounting policies (continued)

3.13 Revenue (continued)

3.13.1 Performance obligations and revenue recognition policies (continued)

3.13.1.1 Integrated Logistics Support Services (ILSS) (continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Supply of goods	The Group is involved in procuring various goods and supplies to its customers for use on the offshore rigs and their supply vessels. Clients obtain control of goods when the goods are delivered to and have been accepted at their specified location. Invoices are generated at that point in time. Invoices are usually payable within 60 days.	Revenue from supply of goods is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before payment is due. Delivery occurs when the goods have been shipped to the specific location or loaded onto the client's vessel, the risks and rewards have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Generally, for such goods, the customer has no right of return.

3.13.1.2 Oil country tubular goods (OCTG)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Storage and handling	Invoices for storage and handing are issued on a monthly basis and are usually payable within 30 days. Revenue is recognised over time as the services are provided.	If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative standalone selling prices. The standalone selling prices are determined based on the agreed selling prices as per customer specific contract or based on the list prices at which the Group sells the services in separate transactions.

3 Significant accounting policies (continued)

3.13 Revenue (continued)

3.13.1 Performance obligations and revenue recognition policies (continued)

3.13.1.2 Oil country tubular goods (OCTG) (continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Inspection	Invoices for inspection are issued on a monthly basis and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative standalone selling prices. The standalone selling prices are determined based on the agreed selling prices as per customer specific contract or based on the list prices at which the group sells the services in separate transactions.
Repairs of pipes	Invoices for repair of pipes are issued on a monthly basis and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative standalone selling prices. The standalone selling prices are determined based on the agreed selling prices as per customer specific contract or based on the list prices at which the group sells the services in separate transactions.

3 Significant accounting policies (continued)

3.13 Revenue (continued)

3.13.1 Performance obligations and revenue recognition policies (continued)

3.13.1.3 Photovoltaic income

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Supply of electricity	Revenue from supply of electricity is generated from the Group's investment in the Photovoltaic farm. Invoices are issued on monthly. Prices are based on the published Feed-in-Tariffs. Invoices are issued on receipt of the monthly statement issued by the counterparty and are payable within 15 days.	Revenue is recognised over time based on the monthly readings of kWh of energy supplied as per monthly statements issued by the counterparty.

3.13.2 Determining transaction price and allocation to performance obligations

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

3.13.3 Dividend income

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

3.14 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 Significant accounting policies (continued)

3.15 Government grants

The Group recognises government grants that are related to assets as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

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, unless the conditions for receiving the grant are met after the related expenses have been recognised. In that case, the grant is recognised when it becomes receivable.

Government assistance in the form of a guarantee from the government for loans from financial institutions is considered part of the unit of account in determining the fair value of the loan.

3.16 Income tax

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

3 Significant accounting policies (continued)

3.16 Income tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

3.17 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.

3.18 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.

4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following forthcoming amendments to standards are not expected to have a significant impact on the Company's financial statements:

	EU Effective date (Financial period on or after)	Impact assessment
Standards available for early adoption		
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	01 June 2020	no significant impact
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021	no significant impact
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)	01 January 2021	Not applicable
Standards not / not yet endorsed by the EU		
IFRS 17 Insurance Contracts effective 1 January 2023	Not yet endorsed	Not applicable
Amendments to IAS 37: Onerous contracts – cost of fulfilling a contract effective 1 January 2022 Annual improvements to IFRS Standards 2018-2020 effective 1 January 2022 Amendments to IAS 16: Property, plant and equipment: proceeds before intended use effective 1 January 2022 Amendments to IFRS 3: Reference to the conceptual framework effective 1 January 2022 Amendments to IAS 1: Classification of liabilities as current or non-current (effective 1 January 2023) Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective 1 January 2023 Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective 1 January 2023 Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 effective 1 April 2021	Not yet endorsed	no significant impact

5 Operating segments

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

Integrated logistics support services	Includes the provision of comprehensive logistical support services to the offshore oil and gas industry from the Group's bases in Malta, Cyprus, Egypt and Suriname (South America).
Oil country tubular goods	Includes the provision of an integrated approach to OCTG handling, inspection, repairs and other ancillary services based in three Middle East locations, namely U.A.E., Southern Iraq and Sultanate of Oman.
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 in Malta.

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 Operating segments (continued)

5.2 Information about reportable segments

	Integrated logistics support services		Oil country tubular goods		Photovoltaic farm		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€	**€**	€
External revenue	**16,559,585**	52,197,831	**15,352,321**	16,047,195	**499,882**	484,725	**32,411,788**	68,729,751
Inter-segment revenue	**-**	-	**-**	947,866	**-**	-	**-**	947,866
Segment revenue	**16,559,585**	52,197,831	**15,352,321**	16,995,061	**499,882**	484,725	**32,411,788**	69,677,617
Net finance costs	**(2,782,147)**	(3,968,159)	**(812,464)**	(1,269,967)	**(406,104)**	(403,305)	**(4,000,715)**	(5,641,431)
Depreciation on property, plant and equipment	**(1,782,948)**	(1,753,089)	**(1,280,723)**	(1,271,607)	**(208,111)**	(208,112)	**(3,271,782)**	(3,232,808)
Depreciation on right-of-use assets	**(3,664,461)**	(3,279,601)	**(1,037,524)**	(1,327,163)	**-**	-	**(4,701,985)**	(4,606,764)
Amortisation	**-**	-	**(1,472,989)**	(1,472,987)	**-**	-	**(1,472,989)**	(1,472,987)
Other material non-cash items:								
- amortisation of signing bonus	**-**	-	**(318,080)**	(318,080)	**-**	-	**(318,080)**	(318,080)
- impairment losses on financial assets	**(257,639)**	(69,452)	**-**	-	**-**	-	**(257,639)**	(69,452)
- net impairment on property, plant and equipment	**(684,542)**	-	**(489,158)**	-	**-**	-	**(1,173,700)**	-
- impairment losses on intangible assets	**-**	-	**(177,269)**	-	**-**	-	**(177,269)**	-
Reportable segment loss before tax	**(8,659,300)**	(343,531)	**(807,684)**	(2,087,520)	**(84,699)**	(122,336)	**(9,551,683)**	(2,553,387)
Adjusted EBITDA	**254,801**	8,657,317	**4,780,955**	3,572,285	**529,516**	489,081	**5,565,272**	12,718,683
Reportable segment assets	**97,994,656**	110,733,252	**18,721,187**	38,413,506	**2,649,896**	2,870,888	**119,365,739**	152,017,646
Capital expenditure	**981,374**	595,452	**714,829**	864,260	**-**	-	**1,696,203**	1,459,712
Reportable segment liabilities	**100,849,699**	113,528,781	**10,261,816**	20,748,143	**6,365,375**	6,320,245	**117,476,890**	140,597,169
Operating net cash flows	**6,745,181**	4,182,386	**3,378,405**	4,549,112	**-**	(56,363)	**10,123,586**	8,675,135
Investing net cash flows	**(969,898)**	(589,535)	**(709,718)**	(581,809)	**-**	-	**(1,679,616)**	(1,171,344)
Financing net cash flows	**(3,148,946)**	(4,237,109)	**(827,544)**	(4,798,609)	**-**	-	**(3,976,490)**	(9,035,718)

5 Operating segments (continued)

5.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2020	2019
	€	€
Revenues		
Total revenues for reportable segments	**32,411,788**	69,677,617
Elimination of inter-segment revenue	**-**	(947,866)
Consolidated revenues	**32,411,788**	68,729,751
Profit or loss		
Loss before tax for reportable segments	**(9,551,683)**	(2,553,387)
Consolidated loss before income tax	**(9,551,683)**	(2,553,387)
Assets		
Total assets for reportable segments	**119,365,739**	152,017,646
Unallocated amounts	**2,402,932**	2,667,740
Consolidated total assets	**121,768,671**	154,685,386
Liabilities		
Total liabilities for reportable segments	**117,476,890**	140,597,169
Consolidated total liabilities	**117,476,890**	140,597,169

5.4 Geographical information

The ILSS segment is managed from Malta but operates base facilities and/or offices in Malta, Cyprus, Egypt, Suriname and Libya. The OCTG segment is managed from U.A.E. and operates 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 €2,402,932 (2019: €2,667,740).

5 Operating segments (continued)

5.4 Geographical information (continued)

	Revenues	Non-current assets
	€	€
31 December 2020		
Cyprus	**3,147,946**	**2,863,261**
Malta	**10,505,859**	**75,297,603**
Egypt	**3,178,794**	**4,108,538**
Middle East	**15,352,321**	**18,580,008**
South America	**226,868**	**-**
	32,411,788	**100,849,410**
31 December 2019		
Cyprus	4,932,492	5,228,144
Malta	13,907,564	83,051,052
Egypt	3,339,317	5,028,016
Middle East	16,047,195	31,767,995
South America	30,503,183	-
	68,729,751	125,075,207

Group revenues from transactions with three (2019: three) major external customers during the year amounted to approximately €17.5 million (2019: €45.5 million). Revenues are being analysed by country of incorporation of customers.

Situation in Libya

Despite the political instability in Libya, the Group's operations in Libya were minimally impacted as the Group continues servicing normally the clients' operations offshore Libya, which are located 120 kilometres north of the Libyan coast.

6 Revenue

6.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 5).

For the year ended 31 December	**Integrated logistics support services**		**Oil country tubular goods**		**Photovoltaic farm**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€	**€**	€
Malta	**10,005,977**	13,422,839	**-**	-	**499,882**	484,725	**10,505,859**	13,907,564
Middle East	**-**	-	**15,352,321**	16,047,195	-	-	**15,352,321**	16,047,195
Cyprus	**3,147,946**	4,932,492	**-**	-	-	-	**3,147,946**	4,932,492
Egypt	**3,178,794**	3,339,317	**-**	-	-	-	**3,178,794**	3,339,317
South America	**226,868**	30,503,183	**-**	-	-	-	**226,868**	30,503,183
	16,559,585	52,197,831	**15,352,321**	16,047,195	**499,882**	484,725	**32,411,788**	68,729,751

6 Revenue (continued)

6.1 Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December	**Integrated logistics support services**		**Oil country tubular goods**		**Photovoltaic farm**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€	**€**	€
Major service lines								
Logistic support services	**9,173,576**	42,286,460	**-**	-	**-**	-	**9,173,576**	42,286,460
Supplies	**2,205,424**	4,191,897	**-**	-	**-**	-	**2,205,424**	4,191,897
Engineering services	**1,465,775**	1,611,950	**-**	-	**-**	-	**1,465,775**	1,611,950
Storage and handling	**3,714,810**	4,107,524	**12,257,050**	10,996,538	**-**	-	**15,971,860**	15,104,062
Inspection	**-**	-	**1,063,875**	1,110,391	**-**	-	**1,063,875**	1,110,391
Repairs of pipes	**-**	-	**2,031,396**	3,940,266	**-**	-	**2,031,396**	3,940,266
Supply of electricity	**-**	-	**-**	-	**499,882**	484,725	**499,882**	484,725
	16,559,585	52,197,831	**15,352,321**	16,047,195	**499,882**	484,725	**32,411,788**	68,729,751
			-					
Timing of revenue recognition								
Transferred over time	**14,354,161**	48,005,934	**15,352,321**	16,047,195	**499,882**	484,725	**30,206,364**	64,537,854
Point in time	**2,205,424**	4,191,897	**-**	-	**-**	-	**2,205,424**	4,191,897
	16,559,585	52,197,831	**15,352,321**	16,047,195	**499,882**	484,725	**32,411,788**	68,729,751

6 Revenue (continued)

6.2 Contract balances

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

	31 December 2020	31 December 2019
	€	€
Trade receivables, which are included in 'trade and other receivables'	**7,899,189**	15,426,053
Contract assets	**32,210**	1,607,674

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

6.3 Contract costs

The contract costs include the carrying amount of a signing bonus amounting to €318,080 (2019: €636,160) granted to certain key management personnel of METS during 2016 subject to vesting period. This signing bonus originally amounted to €1,590,401 and started being amortised over a period of five years, from the date of commencement of the contract on 1 January 2017.

7 Other income and other expenses

7.1.1 Other income

		The Group	
		2020	2019
	Note	**€**	€
Exchange differences		**247,703**	332,799
Gain on disposal of property, plant and equipment	13	**-**	23,117
Government grants	7.1.2	**366,778**	4,381
Reversal of deferred income	22	**787,416**	884,219
Reversal of provision		**-**	39,078
Other income		**300,300**	91,911
Gain on lease modification		**511,363**	-
Reversal of impairment loss on property, plant and equipment		**470,406**	-
		2,683,966	1,375,505

7 Other income and other expenses (continued)

7.1.1 Other income (continued)

In the current year, the Company was granted a sum of €322,000 (2019: €100,000) by Malta Enterprise in settlement of unutilised investment tax credits that had been awarded to the Company in relation to the provisions of Regulation 32 of the Business Promotion Regulations 2001 ('BPRs'). The settlement is payable in cash in two equal tranches of €161,000 each and shall be used by the Company to cover costs related to its investment on the setting up of a marine gas hub for one of its clients and conditional on an investment of €536,600 on this project. This grant will be amortised based on the useful life of capitalised expenditure made in relation to such project i.e. over a period of 10 years. The income recognised in the current year amounts to €2,683.

In respect to the Covid-19 coronavirus pandemic, the government of Malta introduced a wage subsidy programme for companies that suffered business disruption caused by the pandemic. Under the programme, an eligible company could apply for the subsidy in an amount of €800 per month for each employee. The Company application for the programme was approved and it was entitled to the wage subsidy on a monthly basis conditional on the employees continuing in employment and the Company continuing paying their salary. The Company benefited from the programme from March to December 2020 and received a wage subsidy of €358,576. In addition, the Company also benefited from quarantine leave supplement amounting to €2,800.

7.2 Other expenses

		The Group	
		2020	2019
	Note	**€**	€
Loss on lease modification		**-**	43,525
Loss on disposal of property, plant and equipment	13	**10,194**	-
Impairment loss on property, plant and equipment	13	**1,644,106**	-
Impairment loss on intangible assets	16	**177,269**	-
		1,831,569	43,525

8 Expenses by nature

8.1

	Note	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Direct cost of services		**12,276,054**	38,117,707	**-**	-
Consumables		**5,252**	8,119	**-**	-
Employee benefits	9	**9,784,168**	12,299,417	**149,732**	101,443
Depreciation	13,29	**7,974,202**	7,839,572	**-**	-
Amortisation of intangible assets	16	**1,472,987**	1,472,987	**-**	-
Amortisation of signing bonus	6	**318,080**	318,080	**-**	-
Professional fees		**2,186,833**	1,857,123	**848,358**	301,211
Listing expenses		**70,289**	88,947	**70,289**	88,645
Travelling and telecommunications		**403,836**	641,265	**1,083**	3,312
Impairment loss on investments in subsidiaries		**-**	-	**3,639,480**	22,625
Repairs and maintenance		**744,252**	793,979	**-**	-
Insurance		**735,593**	733,241	**-**	-
Security services		**324,318**	309,088	**-**	-
Staff welfare		**1,114,048**	858,347	**-**	-
Other		**1,147,602**	1,566,363	**33,839**	41,847
Total cost of sales and administrative expenses		**38,557,514**	66,904,235	**4,742,781**	559,083

8 Expenses by nature (continued)

8.1 (continued)

	The Group		The Company	
	2020	2019	**2020**	2019
Categorised as follows:	**€**	€	**€**	€
Cost of sales	**30,444,298**	59,391,709	**-**	-
Administrative expenses	**8,113,216**	7,512,526	**4,742,781**	559,083
Total cost of sales and administrative expenses	**38,557,514**	66,904,235	**4,742,781**	559,083

8.2 The total fees charged to the Group and the company by the independent auditors during 2020 can be analysed as follows:

	The Group	The Company
	€	**€**
Auditors' remuneration	**491,060**	**300,073**
Tax advisory services	**67,514**	**41,642**
Other non-audit services	**561,584**	**82,221**
	1,120,158	**423,936**

9 Personnel expenses

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

	2020	2019
	€	€
Directors' emoluments:		
Salaries	**455,501**	513,519
Fees	**115,000**	99,000
	570,501	612,519
Wages and salaries	**8,628,595**	11,111,264
Social security contributions	**483,882**	496,989
Maternity fund	**5,538**	5,929
Other statutory contributions	**95,652**	72,716
	9,784,168	12,299,417

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

	2020	2019
	No.	No.
Operating	**347**	263
Management and administration	**48**	41
	395	304

The Company had no employees during current and comparative years. Employee benefits in note 8.1 represent salary recharged to the Company by its subsidiary.

10 Finance income and finance cost

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Bank interest receivable	**-**	6,217	**-**	21
Interest receivable from Subsidiaries	**-**	-	**2,284,073**	2,565,507
Unrealised exchange differences	**636,825**	-	**863,805**	589,690
Realised exchange differences	**-**	44,858	**-**	-
Interest clawback on bank loan	**406,175**	-	**-**	-
Finance income	**1,043,000**	51,075	**3,147,878**	3,155,218
Interest payable on bank loans	**(239,233)**	(626,777)	**-**	-
Other bank interest payable	**(112,461)**	(169,030)	**-**	-
Interest payable to note holders	**(2,814,563)**	(2,781,430)	**(2,814,561)**	(2,781,430)
Finance cost on finance leases	**(1,493,314)**	(1,988,383)	**-**	-
Exchange differences	**(384,144)**	(126,886)	**(790,796)**	(348,372)
Finance costs	**(5,043,715)**	(5,692,506)	**(3,605,357)**	(3,129,802)
Net finance (cost)/income	**(4,000,715)**	(5,641,431)	**(457,479)**	25,416

The interest clawback on bank loan represents the amount of the overstated interest charged to subsidiary in Egypt on its bank loan at 2% over the corridor rate during the period from April 2019 to February 2020. This was refunded back to the subsidiary and the loan interest rate reverted back to the interest rate of 5%.

11 Tax expense

11.1 Recognised in the statement of profit or loss and other comprehensive income

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current tax expense				
Current year	**(906)**	(147)	**(147)**	(147)
	(906)	(147)	**(147)**	(147)
Deferred tax movement				
Movement in temporary differences	**802,105**	(852,595)	**-**	-
Reclassification related to prior year	**(44,930)**	45,146	**-**	-
	757,174	(807,449)	**-**	-
Total tax income/(expense)	**756,268**	(807,596)	**(147)**	(147)

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

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Loss before tax	**(9,551,683)**	(2,553,387)	**(7,486,921)**	(3,761,802)
Tax using the Company's domestic tax rate	**3,343,089**	893,685	**2,620,422**	1,316,631
Tax effect of:				
Investment tax credits (see note 17)	**-**	(402)	**-**	-
Disallowed expenses	**(3,203,222)**	(2,740,933)	**(2,621,110)**	(1,317,320)
Difference in tax rates applicable to Group	**98,515**	231,088	**541**	542
Exempt income	**(29,542)**	942,246	**-**	-
Deductible temporary differences not previously recognised/(not recognised)	**547,428**	(133,280)	**-**	-
Total tax income / (expense)	**756,268**	(807,596)	**(147)**	(147)

11 Tax expense (continued)

11.3 Recognised in the income statement

The applicable tax rate during the current and comparative year is the statutory local income tax rate of 35% for income generated in Malta. The results from operations in Cyprus and Egypt are subject to the statutory local income tax of 12.5% and 22.5% respectively. The Company's subsidiary in the Sohar Free Zone in the Sultanate of Oman is exempt from income tax for a period of 10 years starting from 15 January 2012. The Company's subsidiary in the Special Economic Zone in Duqm in the Sultanate of Oman is exempt from income tax for a period of 30 years starting from 1 November 2017. The Company's subsidiaries in the 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).

12 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 the profit or loss from continuing operations to exclude the impact of taxation, net finance cost, depreciation, amortisation and impairment loss on property, plant and equipment.

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 loss from continuing operations

		The Group	
		2020	2019
	Note	**€**	**€**
Loss from continuing operations		**(8,795,415)**	(3,360,983)
Tax (income)/expense	11	**(756,268)**	807,596
Loss before tax		**(9,551,683)**	(2,553,387)
Adjustments for:			
Net finance cost	10	**4,000,715**	5,641,431
Depreciation	13, 29	**7,974,202**	7,839,572
Amortisation of intangible assets	16	**1,472,989**	1,472,987
Amortisation of signing bonus	5,6	**318,080**	318,080
Impairment loss on property, plant and equipment		**1,644,106**	-
Reversal of impairment loss on property, plant and equipment		**(470,406)**	-
Impairment loss on intangible assets		**177,269**	-
Adjusted EBITDA		**5,565,272**	12,718,683

13 Property, plant and equipment - The Group

13.1

	Total	Buildings	Base improvements	Plant and equipment	Photovoltaic farm	Cargo carrying units	Furniture and fittings	Office and computer equipment	Motor vehicles	Assets not yet in use
	€	€	€	€	€	€	€	€	€	€
Cost										
Balance at 01.01.19	57,524,379	11,516,743	9,220,188	25,696,879	4,016,258	3,479,429	1,220,971	790,567	1,317,421	265,923
Additions	1,459,712	893,690	14,215	346,764	-	-	125,810	65,313	13,920	-
Transfers	-	33,020	(33,020)	45,525	-	-	-	-	-	(45,525)
Disposals	(452,497)	-	-	(269,491)	-	-	-	(1,517)	(181,489)	-
Effect of movements in exchange rates	527,873	24,075	140,995	331,535	-	-	3,898	3,726	18,215	5,429
Balance at 31.12.19	59,059,467	12,467,528	9,342,378	26,151,212	4,016,258	3,479,429	1,350,679	858,089	1,168,067	225,827
Balance at 01.01.20	59,059,467	12,467,528	9,342,378	26,151,212	4,016,258	3,479,429	1,350,679	858,089	1,168,067	225,827
Additions	1,696,203	92,054	946,287	338,636	-	-	207,273	57,201	6,500	48,252
Reversal of impairment loss	470,406	100,603	369,803	-	-	-	-	-	-	-
Disposals	(151,938)	-	-	(58,408)	-	-	-	-	(93,530)	-
Effect of movements in exchange rates	(2,186,670)	(167,740)	(463,653)	(1,435,504)	-	-	(18,321)	(17,685)	(62,344)	(21,423)
Balance at 31.12.20	**58,887,468**	**12,492,445**	**10,194,815**	**24,995,936**	**4,016,258**	**3,479,429**	**1,539,631**	**897,605**	**1,018,693**	**252,656**
Depreciation										
Balance at 01.01.19	24,323,606	2,370,363	5,105,653	12,065,005	937,252	1,485,050	636,013	694,738	1,029,532	-
Charge for the year	3,232,808	470,141	230,243	1,669,968	208,111	347,081	107,280	70,750	129,234	-
Disposals	(193,163)	-	-	(18,180)	-	-	-	(589)	(174,394)	-
Effect of movements in exchange rates	224,211	13,504	107,800	112,191	-	-	(12,902)	3,099	519	-
Balance at 31.12.19	27,587,462	2,854,008	5,443,696	13,828,984	1,145,363	1,832,131	730,391	767,998	984,891	-

13 Property, plant and equipment - The Group (continued)

13.1 (continued)

	Total	Buildings	Base improvements	Plant and equipment	Photovoltaic farm	Cargo carrying units	Furniture and fittings	Office and computer equipment	Motor vehicles	Assets not yet in use
	€	€	€	€	€	€	€	€	€	€
Depreciation (continued)										
Balance at 01.01.20	27,587,462	2,854,008	5,443,696	13,828,984	1,145,363	1,832,131	730,391	767,998	984,891	-
Charge for the year	3,271,782	348,435	483,284	1,612,251	208,111	347,082	119,480	61,350	91,789	-
Impairment loss	1,644,106	386,008	212,271	502,324	-	-	416,149	71,394	38,128	17,831
Disposals	(125,157)	-	(4,120)	(27,507)	-	-	-	-	(93,530)	-
Effect of movements in exchange rates	(1,226,559)	(100,814)	(273,313)	(765,152)	-	-	(15,318)	(16,291)	(55,671)	-
Balance at 31.12.20	**31,151,634**	**3,487,637**	**5,861,819**	**15,150,900**	**1,353,474**	**2,179,213**	**1,250,702**	**884,451**	**965,607**	**17,831**
Carrying amounts										
At 1 January 2019	33,200,773	9,146,380	4,114,535	13,631,874	3,079,006	1,994,379	584,958	95,829	287,889	265,923
At 31 December 2019	31,472,005	9,613,520	3,898,682	12,322,228	2,870,895	1,647,298	620,288	90,091	183,176	225,827
At 31 December 2020	**27,735,833**	**9,004,807**	**4,332,997**	**9,845,036**	**2,662,784**	**1,300,216**	**288,929**	**13,154**	**53,086**	**234,824**

13.2 The Group's buildings and base improvements are situated on land held under title of temporary emphyteusis (see note 29.1).

13.3 Assets not yet in use as at year-end comprise of machinery to be utilised in the Group's future projects in the Middle East. Refer to note 13.6 for assessment of impairment.

13.4 Commitments

As at year-end, the Group's contractual commitments amounted to €495,603 (2019: €Nil).

13 Property, plant and equipment - The Group (continued)

13.5 Security

At 31 December 2020, the Group's emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to note 29) were subject to a general hypothec and a special hypothec in relation to the notes issued by the Company and bank borrowings by the Group (refer to note 23.3).

13.6 Impairment assessments

The carrying amount (net of accumulated impairment losses) of the tested property, plant and equipment and right-of-use assets at reporting date stood as follows:

CGU	Carrying amount of Property, plant and equipment	Carrying amount of Right-of-use assets
	€	€
METS UAE	903,600	607,217
METS Iraq	3,086,500	913,661
METS Oman	446,638	1,671,033
Total	**4,436,738**	**3,191,911**

At reporting date, as a result of the losses sustained in the current and/or comparative years by (i) Middle East Tubular Services Limited ("METS UAE"), (ii) Middle East Tubular Services (Iraq) Limited ("METS Iraq"), (iii) Medserv Operations Limited, (iv) Medserv Egypt Oil and Gas Services J.S.C. ("Medserv Egypt"), and (v) Medserv (Cyprus) Limited and in consideration of the following risks:

- the global and regional political and economic risks, particularly in an extended COVID-19 scenario;
- the concentration risk due to the dependency on a few customers; and
- the volatility in oil and gas prices and related demand for oil and gas and their impact on the customers' business activity.

13 Property, plant and equipment - The Group (continued)

13.6 Impairment assessments (continued)

The following impairment losses were recognised as follows:

CGU	Assets class impaired	Operating segment	Impairment amount	Recoverable amount of assets impaired	Methodology	Pre-tax discount rate
			€	€		
METS UAE	Buildings, Base improvements, Plant and equipment, Furniture and fittings, Office and computer equipment, and Motor vehicles	OCTG	959,564	679,446	VIU	13.55%
Medserv Egypt	Plant and equipment, Furniture and fittings, Office and computer equipment, and Motor vehicles	ILSS	240,423	4,101,763	VIU	26.69%
Medserv Operations Limited	Furniture and fittings, and Office and computer equipment	ILSS	444,119	212,127	FVLCD	N/A

No impairment losses were identified on the other assets and their related CGUs.

Where the recoverable amount is FVLCD, the fair value measurement was categorised as a Level 3. Management estimated recoverable amount of these assets with reference to the market prices of similar items sold in the secondary market.

Where the recoverable amount is the VIU, due to the increase in the level of uncertainty, the VIU was estimated using a discounted cash flow (DCF) analysis applying the expected cash flow approach. This approach uses multiple cash flow projections taking into consideration assumed probabilities of future events and/or scenarios instead of a single cash flow scenario. While many scenarios and probabilities may exist, management ultimately believes that the three scenarios (base case, upside and downside) reflect a representative sample of possible outcomes.

13 Property, plant and equipment - The Group (continued)

13.6 Impairment assessments (continued)

The calculations use cash flow projections that are based on financial budgets and business plans prepared by management and approved by the Board of Directors. The budgets and business plans are updated to reflect the most recent developments as at the reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. For each scenario, management has assigned probability weights. The recoverable amount was estimated by calculating the present value of the probability-weighted expected cash flows.

The following reversal of impairment was recorded during the year:

CGU	Assets class	Operating segment	Amount of reversal €	Recoverable amount €	Methodology	Pre-tax discount rate
METS Oman	Buildings, and Base improvements	OCTG	470,406	470,406	VIU	18.25%

In 2017, one of the Group's significant customers has relocated its operations from the Group's base in the Sohar Freezone to its other base in Duqm. Consequently, in 2018 the Group downsized its base in Sohar and sustained full impairment loss of €1,227,392 on the carrying amount of the base improvements. In 2020, €470,406 of the loss was reversed due to improved profitability of the business.

14 Investments in subsidiaries

14.1

	Total €	Capital subscribed €	Loans receivable €
At 1 January 2019	13,418,743	344,333	13,074,410
Issue of loans receivable to subsidiary	10,037,297	-	10,037,297
Impairment losses	(3,228,135)	-	(3,228,135)
At 31 December 2019	**20,227,905**	**344,333**	**19,883,572**
At 1 January 2020	20,227,905	344,333	19,883,572
Issue of loans receivable to subsidiary	2,689,747	-	2,689,747
Redemption of loans advanced	(1,564,410)	-	(1,564,410)
Impairment losses	(3,566,796)	-	(3,566,796)
At 31 December 2020	17,786,446	344,333	17,442,113

14 Investments in subsidiaries (continued)

14.2 During the year, intercompany balances between the subsidiaries amounting to €4,605,615 (2019: €9,424,128) were assigned in full to the Company. After netting off amounts received by the Company from its subsidiaries of €3,480,278, the amount of €2,689,747 (2019: €10,037,297), were capitalized and treated as part of the subsidiaries' equity by way of support to the subsidiaries (see note 24.2). The loans receivable from the subsidiaries as at 31 December 2020 are unsecured and interest free.

14.3 List of subsidiaries and sub-subsidiaries

Subsidiaries	Registered office	Ownership interest 2020	Ownership interest 2019	Nature of business	Paid up
		%	%		%
Medserv International Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	25
Medserv Eastern Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	20
Medserv Africa Limited (formerly Medserv Western Mediterranean Limited)	Port of Marsaxlokk Birzebbugia Malta	99.83	99.83	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	100.00	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
Medserv Energy TT Limited	18, Scott Bushe Street Port of Spain Trinidad & Tobago, W.I.	100.00	100.00	Logistical support and other services	100

14 Investments in subsidiaries (continued)

14.3 List of subsidiaries and sub-subsidiaries (continued)

Subsidiaries (continued)	Registered office	Ownership interest 2020 %	2019 %	Nature of business	Paid up %
Medserv Egypt Oil & Gas Services J.S.C	51, Tanta Street Cairo, Egypt	60.00	60.00	Logistical support and other services	100
Middle East Tubular Services Holdings Limited	Belmont Chambers Road Town Tortola, British Virgin Islands	100.00	100.00	Holding company	100
Middle East Tubular Services Limited	Belmont Chambers Road Town Tortola, British Virgin Islands	100.00	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	100.00	OCTG services in Sultanate of Oman	100
Middle East Tubular Services (Iraq) Limited	Belmont Chambers Road Town Tortola, British Virgin Islands	100.00	100.00	OCTG services in Southern Iraq	100
Middle East Comprehensive Tubular Services (Duqm) L.L.C.	PO Box 45 PC102 The Special Economic Zone of Duqm Al Duqm, Al Wusta Sultanate of Oman	100.00	100.00	OCTG services in Sultanate of Oman	100
Middle East Tubular Services (Gulf) Limited	Belmont Chambers Road Town Tortola, British Virgin Islands	100.00	100.00	Holding company	100
Middle East Tubular Services Uganda SMC Limited	BMK House 4th Floor RM 402 Plot 4-5 Nyabong Road, Kololo Kampala P.O. Box 27689, Kampala	100.00	-	OCTG services in Uganda	100

In 2019, the Group acquired the remaining 10% interest in Middle East Tubular Services (Iraq) Limited, increasing its ownership from 90% to 100%. The carrying amount of the net liabilities of Middle East Tubular Services (Iraq) Limited in the Group's consolidated financial statements on the date of acquisition was equivalent to €4,069,860. The decrease in equity attributable to owners of the Company comprised of a decrease in retained earnings and translation reserve of €1,557,478 and €46,776 respectively.

14 Investments in subsidiaries (continued)

14.4 Impairment assessments

At reporting date, the Company tested the investment in Medserv M.E. Limited (“Medserv ME”) and Medserv Eastern Mediterranean Limited (“MEM”) and Medserv Libya Limited for impairment as a result of the losses sustained in the current and/or comparative years and in consideration of the following risks:

- the global and regional political and economic risks, particularly in an extended COVID-19 scenario;
- the concentration risk due to the dependency on a few customers; and
- the volatility in oil and gas prices and related demand for oil and gas and their impact on the customers’ business activity.

The carrying amounts of the Company’s investments in Medserv ME, MEM and Medserv Libya at reporting date stood at €nil (2019: €1,336,667), €4,356,226 (2019: €3,906,057) and €nil (2019: €nil), net of accumulated impairment, respectively.

In estimating the recoverable amount of the investment in Medserv ME, the Company applied the same value-in-use analysis prepared in estimating the recoverable amount of goodwill (see note 16) as the recoverability of the net investment in Medserv ME is supported by the same projections and subject to the same risk factors and key assumptions as those underlying the calculation of the recoverable amount of the OCTG CGU. The recoverable amount was determined by discounting the future cash flows to be generated from its continuing use. The carrying amount of Medserv ME exceeded the recoverable amount of the investment and thus an impairment loss of €2,606,482 was recognised. The discount rate used in the estimation of value-in-use calculation of Medserv ME ranged 13.55% - 20.75%.

The estimated recoverable amount of the investment in MEM at reporting date, was arrived at by reference to the value-in-use of the sub-subsidiaries, Medserv Egypt Oil & Gas Services J.S.C. (“Medserv Egypt“) and Medserv (Cyprus) Limited, determined by discounting the future cash flows using value-in-use analysis. An impairment loss of €875,823 (2019: €2,614,966) was determined on the investment in MEM. The impairment loss is mainly the result of the expenses incurred by MEM on behalf of its subsidiaries. The pre-tax discount rate used in the estimation of value-in-use calculation of MEM ranged 13.77% - 26.69%.

Due to the increase in the level of uncertainty, the VIU of both investments was estimated using a discounted cash flow (DCF) analysis applying the expected cash flow approach. This approach uses multiple cash flow projections taking into consideration assumed probabilities of future events and/or scenarios instead of a single cash flow scenario. While many scenarios and probabilities may exist, management ultimately believes that the three scenarios (base case, upside and downside) reflect a representative sample of possible outcomes.

The calculations use cash flow projections that are based on financial budgets and business plans prepared by management and approved by the Board of Directors. The budgets and business plans are updated to reflect the most recent developments as at the reporting date.

14 Investments in subsidiaries (continued)

14.4 Impairment assessments (continued)

Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. For each scenario, management has assigned probability weights. The recoverable amount was estimated by calculating the present value of the probability-weighted expected cash flows.

An impairment loss of €84,491 (2019: €613,169) on the Company's investment in Medserv Libya Limited ("Medserv Libya") was recognised, writing down the carrying amount of the investment to €Nil as a result of the losses incurred as the subsidiary ceased trading in view of the conflict in Libya.

These impairment losses were recognised in the income statement in "administrative expenses".

15 Equity-accounted investees

	Note	2020	2019
		€	€
Interest in joint venture	15.1	-	-
Interest in associates	15.2	**300**	300
Balance at 31 December		**300**	300

15.1 Joint venture

InMedco Limited is a joint venture in which the Company has joint control and a 50% ownership interest. Its principally engaged in selling and distributing survival products and services and delivery of high specification technical services to the oil and gas industry. The jointly-controlled entity had limited business activity during the current and comparative years.

Summary of financial information for the jointly-controlled entity as at 31 December 2020 is as follows:

15 Equity-accounted investees (continued)

15.1 Joint venture (continued)

	2020	2019
	€	€
Current assets	**5,434**	1,970
Current liabilities	**(8,200)**	(106,633)
Net liabilities	**(2,766)**	(104,663)
Company's share of net liabilities (50%)	**(1,383)**	(52,332)
Income	**8,737**	40,285
Expenses	**(41,198)**	(102,442)
Loss for the period	**(32,461)**	(62,157)
Company's share of loss (50%)	**-**	**-**

The Company's share of losses of the joint venture exceeds its interest in the joint venture and as a result, the Company has discontinued recognising its share of further losses.

15.2 Associates

The Company has a 25% interest in FES Libya Limited, a Maltese incorporated company which was registered on 28 August 2019 to act as a licensed service provider to various National Oilwell Varco (NOV®) downhole tools and services in Libya. FES Libya Limited has not yet started operating.

Summary of financial information for the associated entity as at 31 December 2020 is as follows:

	2020	2019
	€	€
Current assets	**1,200**	1,200
Current liabilities	**-**	-
Net assets	**1,200**	1,200
Company's share of net assets (25%)	**300**	300

16 Intangible assets and goodwill

16.1 Reconciliation of carrying amount

	Note	Total	Goodwill	Brand	Customer relationships	Licences
		€	€	€	€	€
Cost						
Balance at 1 January 2019		17,335,634	2,605,760	284,402	14,102,368	343,104
Effects of movements in exchange rates		61,980	61,980	-	-	-
Balance at 31 December 2019		17,397,614	2,667,740	284,402	14,102,368	343,104
Balance at 1 January 2020		17,397,614	2,667,740	284,402	14,102,368	343,104
Effects of movements in exchange rates		(264,808)	(264,808)	-	-	-
Balance at 31 December 2020		**17,132,806**	**2,402,932**	**284,402**	**14,102,368**	**343,104**
Accumulated amortisation and impairment losses						
Balance at 1 January 2019		4,173,465	-	80,580	3,995,671	97,214
Amortisation		1,472,984	-	28,439	1,410,236	34,309
Balance at 31 December 2019		5,646,449	-	109,019	5,405,907	131,523
Balance at 1 January 2020		5,646,449	-	109,019	5,405,907	131,523
Amortisation		1,472,989	-	28,440	1,410,237	34,312
Impairment loss		177,269	-	-	-	177,269
Balance at 31 December 2020		**7,296,707**	**-**	**137,459**	**6,816,144**	**343,104**
Carrying amounts						
1 January 2019		13,162,169	2,605,760	203,822	10,106,697	245,890
At 31 December 2019		11,751,165	2,667,740	175,383	8,696,461	211,581
At 31 December 2020		**9,836,099**	**2,402,932**	**146,943**	**7,286,224**	**-**

16 Intangible assets and goodwill (continued)

16.2.1 Amortisation

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

16.2.2 Intangible assets at reporting date included contractual and non-contractual customer relationships acquired in a business combination. The remaining amortisation period is of 5 years.

16.3 Impairment testing for goodwill

Goodwill arising from the acquisition of Middle East Tubular Services Holdings 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 of €2,402,932 (2019: €2,667,740) arising from the acquisition of the METS sub-group has been wholly allocated to the group of CGUs making up the OCTG segment. Goodwill has been capitalised as an intangible asset and an impairment assessment is carried out at least annually.

The recoverable amount of this group of CGUs was based on its value-in-use ('VIU'), determined by discounting the future cash flows to be generated from the continuing use of the OCTG CGU. The businesses of the CGUs underlying the OCTG group of CGUs are subject to the following risks:

- the global and regional political and economic risks particularly in an extended COVID-19 scenario;
- the concentration risk due to dependency on a few customers; and
- the volatility in oil and gas prices and related demand for oil and gas and their impact on the customers business activity.

Due to the increase in the level of uncertainty, the VIU was estimated using a discounted cash flow (DCF) analysis applying the expected cash flow approach. This approach uses multiple cash flow projections taking into consideration assumed probabilities of future events and/or scenarios instead of a single cash flow scenario. While many scenarios and probabilities may exist, management ultimately believes that the three scenarios (base case, upside and downside) reflect a representative sample of possible outcomes.

The calculations use cash flow projections that are based on financial budgets and business plans prepared by management and approved by the Board of Directors. The budgets and business plans are updated to reflect the most recent developments as at the reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make.

For each scenario, management has assigned probability weights. The recoverable amount was estimated by calculating the present value of the probability-weighted expected cash flows. The expected cash flow approach was also used in testing goodwill for impairment in the comparative year.

16 Intangible assets and goodwill (continued)

16.3 Impairment testing for goodwill (continued)

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

	2020	2019
	%	%
Discount rates, range	**13.55 – 20.75**	14.8 – 21.6
(weighted average over next 5 years cash flows)	**(18.15)**	(16.5)
EBITDA margin, overall average over next 5 years	**38.02**	39.6
Extrapolation growth rate (projects-related CGUs)	**-**	2.0
Annual revenue growth rate (all other CGUs in total), average over next 5 years	**20.33**	17.3

For the base case, the cash flow projections for projects-related CGUs considered specific estimates for the expected duration of the projects. The other CGUs' cash flow projections included specific estimates ranging between five and seven years.

- *Scenarios and probability weights:* Management has subjectively assigned probability weights to each scenario based on its experience in times of recession and its expectations for the economy under and following the COVID-19 pandemic. Management believes that the probability weight assignment presents a reasonable assessment of the likelihood of the scenarios, taking into account the potential of improved market conditions on the upside and an extended COVID-19 scenario and reduced level of business activity assuming volatility in oil and gas prices and related demand for oil and gas, on the downside.

  The probability weights for the applied scenarios are as follows:

  - For base scenarios: 60%
  - For upside scenarios: range: 5%-35% (average 12%)
  - For downside scenarios: 5%-35% (average 28%)

- *Discount rates:* The discount rates used is the weighted-average cost of capital (WACC). The discount rate does not reflect risks for which the estimated cashflow have been adjusted. The discount rate is a pre-tax measure based on the CGU-specific, adjusted for currency and country risk relevant to the individual CGU.

16 Intangible assets and goodwill (continued)

16.3 Impairment testing for goodwill (continued)

Revenue growth rate: This was projected taking into account estimates of sales volumes and price growth for the duration of the projections including probability-weighted expectations for large accounts and uncontracted business.

EBITDA margin: EBITDA margin was based on management's expectations of market developments and future outcomes, taking into account past performance. It was assumed that sales prices would increase in line with forecast inflation over the projected period.

The estimated recoverable amount of the group of CGUs exceeded its carrying amount by approximately €2.5 million (2019: €3.8 million). The recoverable amount of the group of CGUs exceeded its carrying amount and thus no impairment loss was recognised.

The following table shows the amount by which these assumptions would need to change individually (uniformly across CGUs) for the estimated recoverable amount of the group of CGUs to be equal to the carrying amount.

	Change required	
	2020	2019
	%	%
Discount rate	**+ 3.44**	+ 2.3
EBITDA margin	**-**	- 2.9
Pessimistic scenario increase, base scenario decrease	**+ 37.00**	-

Therefore, any further adverse movement in the above key assumptions would lead to impairment.

17 Deferred tax assets and liabilities

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

The Group	**Assets**		**Liabilities**		**Net**	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Property, plant and equipment	**-**	-	**(1,871,539)**	(1,984,110)	**(1,871,539)**	(1,984,110)
Provision for discounted future gratuity payments	**17,874**	17,047	**-**	-	**17,874**	17,047
Provision for doubtful debts	**446,586**	381,933	**-**	-	**446,586**	381,933
Provision for impairment loss on property, plant and equipment	**155,440**	-	**-**	-	**155,440**	-
Provision for volume discounts	**3,214**	-	**-**	-	**3,214**	-
Provision for exchange fluctuations	**-**	-	**(3,240)**	(13,790)	**(3,240)**	(13,790)
Investment tax credits	**8,339,822**	8,339,822	**-**	-	**8,339,822**	8,339,822
Unabsorbed capital allowances and unutilised tax losses	**806,387**	638,236	**-**	-	**806,387**	638,236
Lease liabilities	**14,635,690**	15,134,257	**-**	-	**14,635,690**	15,134,257
Right-of-use assets	**-**	-	**(19,647,716)**	(20,432,981)	**(19,647,716)**	(20,432,981)
Tax assets/(liabilities)	**24,405,013**	24,511,295	**(21,522,495)**	(22,430,881)	**2,882,518**	2,080,414
Set-off of tax	**(20,914,416)**	(20,446,771)	**20,914,416**	20,446,771	**-**	-
Net tax assets/(liabilities)	**3,490,597**	4,064,524	**(608,079)**	(1,984,110)	**2,882,518**	2,080,414

17 Deferred tax assets and liabilities (continued)

17.2 Movement in temporary differences during the year - The Group

	Balance 01.01.19	Recognised in profit and loss 2019	Balance 31.12.19
	€	€	€
Property, plant and equipment	(1,056,870)	(927,240)	(1,984,110)
Provision for discontinued future gratuity payments	11,476	5,571	17,047
Provision for doubtful debts	335,024	46,909	381,933
Provision for exchange fluctuations	5,178	(18,968)	(13,790)
Investment tax credits	8,339,822	-	8,339,822
Unutilised tax losses and unabsorbed capital allowance	876,820	(238,584)	638,236
Right-of-use assets	(9,763,028)	458,953	(9,304,075)
Lease liabilities	4,184,586	(179,235)	4,005,351
	2,933,008	**(852,595)**	**2,080,414**

	Balance 01.01.20	Recognised in profit and loss 2020	Balance 31.12.2020
	€	€	€
Property, plant and equipment	(1,984,110)	112,572	(1,871,538)
Provision for discontinued future gratuity payments	17,047	827	17,874
Provision for doubtful debts	381,933	64,653	446,586
Provision for exchange fluctuations	(13,790)	10,550	(3,420)
Provision for impairment loss on property, plant and equipment	-	155,440	155,440
Provision for volume discounts	-	3,214	3,214
Investment tax credits	8,339,822	-	8,339,822
Unutilised tax losses and unabsorbed capital allowance	638,236	168,151	806,387
Right-of-use assets	(20,432,981)	785,267	(19,647,716)
Lease liabilities	15,134,257	(498,567)	14,635,690
	2,080,414	**802,105**	**2,882,518**

17 Deferred tax assets and liabilities (continued)

17.3 Set-off

In accordance with accounting policy 3.16, deferred tax assets and liabilities are offset only if certain criteria are met. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Further clarification on the right of set-out on the same taxable entity resulted in the ability of the Group to set off Investment tax credits and other taxable temporary differences against deductible temporary differences in future periods.

As a result, the tax effect of taxable temporary differences in the current year are being further offset against deferred tax assets in the statement of financial position. The comparative figures have also been updated with the related offset applicable to the corresponding period to conform with the current year's presentation.

17.4 Recognition of deferred tax asset on investment tax credits

At 31 December 2020, the Company's subsidiary, Medserv Operations Limited recognised a deferred tax asset of €8,339,822 (2019: €8,339,822) to the extent of investment tax credits expected to be utilised in the future. Based on the subsidiary's profit forecasts for the foreseeable period and with reference to historical taxable profits and trading levels registered in the past years, the directors believe that the subsidiary will have sufficient taxable profits in the future against which this deferred tax asset can be utilised.

These profit forecasts were based on realistic assumptions of business growth, including the expected volume of business arising from maintenance projects and the provision of logistic support services to the offshore oil and gas industry during the forecast period. Historic values of similar projects were used to support and quantify the net result of the future projects and services. The extent of utilization of the investment tax credits was based on the assumption that the profit forecasts will be subject to the current tax rate of 35%. The investment tax credits are available in terms of regulation 5 of the BPRs and regulation 4 of the IARs. None of the investment tax credits, unutilised tax losses and unabsorbed capital allowance are subject to an expiration date.

During 2020, the Medserv Operations Limited was granted the sum of €322,000 as cash settlement of unutilised investment tax credits amounting to €396,060 that had been awarded to the Company's subsidiary through the provisions of Regulation 32 of the BPRs. This sum is payable in two equal tranches of €161,000 each and is conditional on the investment of €536,600 by the Company's subsidiary in relation to setting up a marine gas hub for one of its clients.

17 Deferred tax assets and liabilities (continued)

17.5 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of:

- Investment tax credits, unutilised tax losses and temporary differences amounting to €0.64 million (2019: €1.2million) generated during the current and comparative year available to Medserv Operations Limited, because it is not probable that future taxable profit will be available against which the Company's subsidiary can use the benefits therefrom; and
- Unutilised carry forward tax losses amounting to €519,674 (2019: €370,318) generated during the current and prior years available to Medserv Egypt Oil & Gas Services JSC, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

18 Inventories

Inventories amounting to €1,086,905 (2019: €1,382,852) consisted of consumables which are to be used in the provision of OCTG services. In 2020, inventories of €225,278 (2019: €841,721) 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	
	Note	**2020**	2019	**2020**	2019
		€	€	**€**	€
Current assets					
Trade receivables		**7,899,189**	15,426,053	**-**	-
Amounts due by subsidiaries	19.2	**-**	-	**68,083**	18,925
Other receivables		**1,252,473**	1,587,926	**633**	-
Deferred expenditure		**-**	-	**-**	7,332
Prepayments		**477,573**	769,923	**2,500**	-
Total trade and other receivables		**9,629,235**	17,783,902	**71,216**	26,257

19.2 During the year, the amounts due by subsidiaries were capitalized and treated as part of the subsidiaries' equity by way of support to the subsidiaries (see note 14.2). Amounts due by subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 31 to these financial statements.

19.3 Other receivables consist of VAT receivable at year end and other deposits paid.

19.4 The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 28.

20 Capital and reserves

20.1 Share capital

	Ordinary shares	
	2020	2019
	No.	No.
In issue at 1 January and 31 December - fully paid	**53,744,405**	53,744,405

The Company's authorised share capital amounts to 120,000,000_shares of €0.10 each (2019: 120,000,000 ordinary shares of €0.10 each).

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

20.2 Share premium

Share premium amounting to €12,003,829 (2019: €12,003,829) 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 or are directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

20.5 Revaluation reserve

The revaluation reserve relates to the revaluation of the right-of-use assets consisting of land held from emphyteutical grant (see note 29). The revaluation increase of €16,957,752 (gross of tax) recognised in other comprehensive income in 2017 was determined after deducting the carrying amount of the right-of-use asset of €42,955,809 from the aggregate of €59,913,561, determined at 31 December 2017.

20.6 Dividends

No reserves are available for distribution by the Company.

21 Earnings per share

The calculation of basic earnings per share of the Group and the Company is based on the profit or loss 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 2020.

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

Loss attributable to ordinary shareholders from continuing operations (basic)

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Loss for the year attributable to owners of the Company	**(8,353,819)**	(2,924,594)	**(7,487,068)**	(3,761,949)

Weighted-average number of ordinary shares (basic)

	2020	2019
	€	€
Issued ordinary shares at 1 January and 31 December	53,744,405	53,744,405
Weighted-average number of ordinary shares at 31 December	**53,744,405**	53,744,405

Earnings per share of the Group and the Company for the year ended 31 December 2020 amounted to a negative €0.155 (2019: negative earnings per share of €0.054) and negative €0.139 (2019: negative earnings per share of €0.07) 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. Although the Company's subsidiary is short by one full time equivalent as of 31 December 2020, on the basis of current business pipeline, the directors are confident that the Company's subsidiary will be exceeding 90 full time equivalents up to and until year 2045.

22 Deferred income (continued)

This deferred income is being recognised in profit or loss over the remaining period of the emphyteutical grant. The amount recognised in this respect in 'other income' in the statement of profit or loss and other comprehensive income during 2020 amounts to €775,533 (2019: €775,533). Reversal of deferred income caption in 'Other income' in the comparative year also includes government grant of €100,000 awarded in settlement of unutilised special tax credits.

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 28.

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current liabilities				
Secured bank loans	**5,507,291**	2,448,650	**-**	-
Secured notes	**20,100,431**	19,996,983	**20,100,431**	19,996,983
Unsecured notes	**29,698,867**	30,346,757	**29,698,867**	30,346,757
	55,306,589	52,792,390	**49,799,298**	50,343,740
Current liabilities				
Secured bank loans	**1,812,269**	2,145,528	**-**	-
Bank overdrafts	**2,615,439**	5,117,977	**-**	-
	4,427,708	7,263,505	**-**	-

23 Loans and borrowings (continued)

23.2 Terms and debt repayment schedule

The terms and conditions of outstanding loans are as follows:

	Original currency	Carrying amount 2020	2019	Nominal interest rate	Year of maturity
Bank loan	EUR	**€501,265**	€548,995	Bank's base rate + 3.00%	2022
Bank loan	EUR	**€5,000,000**	-	Fixed rate of 2.5% for first 2 years and variable thereafter at Bank's base rate + 3%	2026
Bank loan	OMR	**€629,416**	€995,213	5.50%	2022
Bank loan	EGP	**€1,188,879**	€3,053,312	5.00%	2021
Secured notes	EUR	**€20,100,431**	€19,996,983	6.00%	2023
Unsecured notes	EUR	**€22,156,776**	€22,115,384	4.50%	2026
Unsecured notes	USD	**€7,542,091**	€8,231,373	5.75%	2026

During the year, the government of Malta introduced a general financial support scheme named the *Malta Development Bank ('MDB') COVID-19 Guarantee Scheme ('CGS')* in response to the economic impacts of COVID-19 coronavirus pandemic, which provided a guarantee, of the full amount of qualifying new corporate loans issued by banks in Malta up to a value of €5 milllion, to commercial banks in order to enhance access to bank financing for the working capital requirements of businesses facing cash flow disruptions due to the effects of the COVID-19.

The operating subsidiary in Malta was granted such a bank loan of €5 million in September 2020 as it qualified for this financial support scheme. This loan is guaranteed by MDB against a guarantee fee which ranges from 0.5% in year 1 up to 2% by year 6. The Company was further provided a 12-month moratorium on loan capital repayments and 6-month moratorium on interest. The loan matures on 30 September 2026 and has an annual interest rate which varies over the term of the loan. The interest rate ranges from a fixed fee of 2.5% per annum exclusive of a guarantee fee for the first two years, and a margin of 3% per annum inclusive of a guarantee fee chargeable over the bank's base rate for the remaining four years.

The Group determined that the interest rate for an equivalent loan issued on an arm's length basis without the guarantee would have been 5.35%. The Group concluded that the difference between the interest rate of 2.5%-3% and 5.35% is government assistance that is intended to compensate the Group for interest expense that would otherwise be incurred if the loan were not guaranteed under the financial support scheme. This government assistance is recognised and measured as part of the unit of account in determining the fair value of the loan.

23 Loans and borrowings (continued)

23.2 Terms and debt repayment schedule (continued)

There are no unfulfilled conditions or contingencies for the government assistance on 31 December 2020.

Furthermore, the Group expects to also benefit from the MDB COVID-19 Interest Rate Subsidy Scheme (CIRSS), where all beneficiaries under the CGS are eligible for a grant of up to 2.5% on the interest on the loan for the initial two years of the loan. The interest refund is recognised in profit or loss when there is reasonable assurance that the grant will be received.

23.3 Security on bank loans and overdraft facilities

The bank loans and overdraft facilities are secured by:

a. second general hypothec for €7,500,000 on overdraft basis over all present and future assets with prior charges in favour of bond holders of the €20 million 6% Bond Issue ISIN number MT0000311218;
b. second special hypothec for €7,500,000 on overdraft basis over temporary utile dominium of Medserv site and property of Malta Freeport with prior charges in favour of bond holders of the €20 million 6% Bond Issue ISIN number MT0000311218;
c. guarantee for €12,270,000 given by the parent company to secure all liabilities of the Company;
d. first pledge over a combined business policy for €8,568,381 and pledge of insurance cover over purchased equipment for €1,334,000;
e. 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;
f. Joint and several guarantees for €2,699,574 by the parent company;
g. letter of comfort by the parent company whereby it undertakes to maintain the present level of its control over, and interest, in the Company through its shareholding throughout the duration of the facilities; and
h. 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.

The USD denominated debt are designated as hedging instruments in a net investment hedge (note 28.6).

23 Loans and borrowings (continued)

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

2020	**€**
Balance at 1 January 2020	**50,343,740**
Effect of movement in exchange rate	**(706,066)**
Amortisation of transaction costs during the year	**161,624**
Balance as at 31 December 2020	**49,799,298**

2019	€
Balance at 1 January 2019	50,053,057
Effect of movement in exchange rate	206,204
Amortisation of transaction costs during the year	84,479
Balance as at 31 December 2019	50,343,740

Notes issued in 2016 with a carrying amount as at 31 December 2020 of €29,698,867 (2019: €30,346,757) are unsecured. The other notes are secured by the Company's subsidiary, Medserv Operations Limited, 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 13.5).

23.5 Furthermore, as at 31 December 2020, the Group enjoyed general overdraft facilities of €3,000,000 (2019: €4,250,000) at the following terms and conditions:

Bank overdraft	**Nominal Interest rate**
2020:	
€2,500,000	**5.35% (bank base rate + 3%)**
€500,000	**5.15% (bank base rate + 3%)**
2019:	
€3,500,000	5.35% (bank base rate + 3%)
€750,000	5.15% (bank base rate + 3%)

At 31 December 2020, the Company had unutilised bank overdraft facilities of €1,779,519 (2019: €541,409) and unutilised foreign exchange facility of €300,000 (2019: €300,000).

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At 31 December 2020, the Group availed of credit card facilities amounting to approximately €1,806,205 (2019: €1,935,000) for OCTG customs clearance purposes.

24 Loans receivables from subsidiaries

24.1 The Company

Loans receivables from subsidiaries classified as non-current assets have the following terms and conditions:

	Currency	Nominal interest rate	Year of maturity	2020	2019
				€	€
Unsecured loan	EUR	6.00%	2022	**-**	1,135,270
Unsecured loan	EUR	4.50%	2026	**941,217**	941,270
Unsecured loan	EUR	4.50%	2026	**21,393,013**	21,355,258
Unsecured loan	USD	5.75%	2026	**7,602,050**	8,297,481
Unsecured loan	EUR	6.00%	2023	**9,434,879**	9,389,536
Unsecured loan	EUR	6.25%	2020	**-**	910,160
Unsecured loan	EUR	6.00%	2021	**-**	1,628,701
Unsecured loan	EUR	6.25%	2022	**910,125**	-
Unsecured loan	EUR	6.00%	2022	**1,628,633**	-
				41,909,917	43,657,676
Recognition of expected credit losses under IFRS 9				**(2,393,664)**	(107,000)
Total loans receivables from subsidiaries				**39,516,253**	43,550,676

24.2 During the year, amounts due to subsidiaries amounting to €1,135,270 were set off against the loan receivables from subsidiaries (see note 26.2).

24.3 The Group's exposure to credit and currency risks are disclosed in note 28.

24.4 Past due loans receivables included in non-current receivables from subsidiaries include loans receivable from Medserv M.E. Limited ("Medserv ME") and Medserv Eastern Mediterranean Limited ("MEM") amounting to €36,143,278 (2019: €39,042,275) and €1,628,633 (2019: €1,628,701), respectively.

For past due loans receivable, the Company assesses at the reporting date whether those receivables are credit impaired. Any credit losses are measured at the present value of all cash shortfalls. In estimating any shortfalls (and therefore any expected credit loss) on these loans receivable, the Company applied the same projections used in value-in-use analysis prepared in estimating the recoverable amount of the related Company's investments as the recoverability of these loans receivable is supported by the same projections and subject to the same risks factors and key assumptions as those underlying the calculation of the recoverable amount of the related investments.

The carrying amount of the loans receivable from Medserv ME exceed their carrying amounts at reporting date by €2,230,256 and therefore expected credit losses of €2,230,256 were recorded in the statement of profit and loss and other comprehensive income. Also refer to note 14.4.

The recoverable amount of the loans receivable from MEM exceeds their carrying amount at reporting date and therefore no credit losses were recorded.

25 Employee benefits

25.1 The Group

	2020	2019
	€	€
Liability for severance payments	(748,233)	(928,169)
Liability for retirement gratuities	(51,069)	(47,535)
	(799,302)	(975,704)
Non-current	(799,302)	(959,789)
Current	-	(15,915)
	(799.302)	(975,704)

25.2 The following table shows a reconciliation for the liability for severance payments.

		2020	2019
		€	€
Balance at 1 January		(928,169)	(786,202)
Included in profit or loss:			
Interest cost		(58,163)	(50,325)
Current service cost		(75,565)	(84,646)
Effect of movements in exchange rates	71,812	(15,881)	
Benefits paid		241,852	8,885
Balance at 31 December		(748,233)	(928,169)

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

	2020	2019
Discount rate	3.5%	3.5%
Future salary growth	5.0%	5.0%
Expected term	6.10years	6.90 years

25 Employee benefits

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 2020		31 December 2019	
	Increase	**Decrease**	Increase	Decrease
	€	**€**	€	€
Discount rate (1% movement)	**34,435**	**(37,197)**	51,349	(55,674)
Future salary growth (1% movement)	**(121,388)**	**121,388**	(160,504)	160,504
Expected term (1 year)	**20,525**	**(18,480)**	27,138	(28,088)

26 Trade and other payables

26.1

	The Group		**The Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Trade payables	**1,998,478**	6,086,108	**49,953**	82,804
Amounts due to shareholders	**61,014**	61,014	**61,014**	61,014
Amounts due to note holders	**14,815**	13,586	**14,815**	13,586
Amounts due to subsidiaries	**-**	-	**2,851,386**	332,094
Amounts due to non-controlling interest	**2,120,434**	1,859,910	**-**	-
Accrued expenses	**1,885,038**	2,214,907	**200,000**	64,728
Other payables	**493,289**	703,381	**-**	-
	6,573,068	10,938,906	**3,177,168**	554,226
Current	**4,452,634**	9,078,996	**3,177,168**	554,226
Non- Current	**2,120,434**	1,859,910	**-**	-
	6,573,068	10,938,906	**3,177,168**	554,226

26 Trade and other payables (continued)

26.2 During the year, amounts due to subsidiaries amounting to €1,135,270 were set off against loans receivables from subsidiaries (see note 24.2).

26.3 Amounts due to subsidiaries and shareholders are all unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 31 to these financial statements.

26.4 An amount of €214,185 included in the amounts due to non-controlling interest is unsecured, bears an interest of 6% and repayable by 30 September 2022. The remaining amounts due to non-controlling interest is unsecured, interest free and repayable after more than twelve months.

26.5 The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

27 Cash and cash equivalents

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**€**	€	**€**	€
Cash in hand		**145,702**	207,787	**-**	-
Bank balances		**7,121,073**	5,535,192	**1,035,682**	14,225
		7,266,775	5,742,979	**1,035,682**	14,225
Bank overdraft used for cash management purposes	23	**(2,615,439)**	(5,117,977)	**-**	-
Cash and cash equivalents		**4,651,336**	625,002	**1,035,682**	14,225

The Group's and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 28.

28 Financial instruments – Fair values and risk management

28.1 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 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.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both 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 as far as possible.

Significant valuation issues are reported to the Group's Audit Committee.

Fair values versus carrying amounts

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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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.

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

28.1 Accounting classifications and fair values (continued)

The Group and the Company

	31 December 2020		31 December 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Financial instruments not measured at fair value				
Secured notes	**(20,100,431)**	**(19,400,000)**	(19,996,983)	(20,000,000)
Unsecured notes	**(29,698,867)**	**(27,946,898)**	(30,346,757)	(29,834,143)

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

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 2020 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 at bank and trade and receivables are all short-term in nature. The carrying amounts of these financial assets are deemed to approximate their fair values.

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.

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.

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

28.2 Financial risk management

The Group has exposure to the following risks arising from 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.

The information presented in this note should be read in conjunction with the commentary in the Directors' Report under "Principal risks and uncertainties".

28.3 Risk management framework

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

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 Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

28.4 Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances, trade and other receivables, contract assets, and loans receivable from subsidiaries.

The carrying amounts of financial assets represent the maximum credit exposure as follows:

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

28.4 Credit risk (continued)

	Carrying amount			
	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Trade and other receivables and contract assets	**9,661,445**	18,621,653	**71,216**	26,257
Loans receivable from subsidiaries	**-**	-	**39,516,250**	43,550,676
Cash at bank	**7,121,073**	5,535,192	**1,035,682**	14,225
	16,782,518	24,156,845	**40,623,148**	43,591,158

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

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Impairment loss on trade and other receivables	**(257,639)**	(69,452)	**-**	-
Impairment loss on loans receivable from subsidiaries	**-**	-	**2,230,256**	22,625
	(257,639)	(69,452)	**2,230,256**	22,625

Trade receivables and contract assets

The Group offers logistical and OCTG services to International Oil Companies, their subcontractors and other companies operating in the oil and gas industry. These customers operate huge budgets and historically have sufficient funds to meet their obligations towards the Group.

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

28.4 Credit risk (continued)

Trade receivables and contract assets (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. 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. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information. Most of the Group's customers have been transacting with the Group for a number of years, and losses rarely occur. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, aging profile, maturity, trade history with the Group and existence of previous financial difficulties.

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

As at 31 December 2020, the Group's two (2019: three) most significant customers accounted for €5.9 million (2019: €10.2 million) of the trade receivables.

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	The Group	
	2020	2019
	€	€
Carrying amount		
Domestic	**303,709**	355,968
Eurozone countries	**850,534**	893,240
Libya	**4,584,371**	6,287,606
Middle East	**2,011,090**	2,211,670
Other regions	**181,695**	7,285,243
	7,931,399	17,033,727

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

28.4 Credit risk (continued)

Trade receivables and contract assets (continued)

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

	The Group	
	2020	2019
	€	€
Not-credit impaired		
External credit ratings at least Baa3 from *Moody's* or BBB- from Standard & Poor's	**3,205,804**	4,406,394
Other customers:		
- *Four or more years' trading* history with the Group	**5,129,463**	6,409,170
- *Less than four years' trading* history with the Group	**784,756**	6,356,770
- Higher risk	**111,311**	879,713
Total gross carrying amount	**9,231,335**	18,052,047
Loss allowance	**(1,299,936)**	(1,018,320)
Carrying amount	**7,931,399**	17,033,727

Other customers comprise reputable international oil companies and their subcontractors who have over five years' trading history with the Group.

Expected credit loss assessment for corporate customers

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

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

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

The following tables provide information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2020.

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

28.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers (continued)

The Group

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
Current (not past due) and <30 days past due	3.84%	5,101,131	196,043	No
Past due 31 to 60 days	15.80%	467,905	73,950	No
Past due 61 to 90 days	27.95%	387,409	108,283	No
Past due > 90 days	52.83%	1,744,849	921,770	Yes
		7,701,295	1,300,046	

The scalar factors were increased in 2020, reflecting the actual and expected impact of the COVID-19 pandemic in each geographic region.

31 December 2020

Equivalent to external credit rating	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
Externally rated				
~~AAA~~	0.00%	-	-	No
BBB	0.13%	2,315,090	1,916	No
B	3.75%	43,091	1,618	No
AA	0.00%	315,696	-	No
A	0.03%	344,342	26	No
BB	0.34%	190,871	208	No
Internally rated	0.00%	-	-	
Equivalent to BBB	0.00%	-	-	No
Equivalent to CCC/C	0.00%	-	-	No
Equivalent to D	100.00%	243,323	243,323	Yes
		3,452,413	247,091	

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

28.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers (continued)

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

The Group	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
Current (not past due) and <30 days past due	4.49%	2,582,878	116,053	No
Past due 31 to 60 days	21.02%	802,735	168,725	No
Past due 61 to 90 days	1.12%	4,646,438	52,114	No
Past due > 90 days	13.60%	3,417,894	464,837	No
		11,449,945	**801,729**	

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

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

	The Group	
	2020	2019
	€	€
Balance at 1 January	**1,050,640**	981,188
Net remeasurement of loss allowance	**257,639**	69,452
Balance at 31 December	**1,308,279**	1,050,640

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

28.4 Credit risk (continued)

Cash and cash equivalents

As at 31 December 2020, the Group and the Company held cash at bank of €7,121,073_(2019: €5,535,192) and €1,035,682 (2019: €14,225) respectively. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB+ to AA, based on Standards & Poor's ratings, and B3 to A1 by Moody's.

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

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
At amortised cost				
A1	**-**	4,221	**-**	-
A2	**1,804,767**	4,767,443	**1,035,682**	14,225
Aa3	**-**	396,581	**-**	-
A3	**3,007,672**	-	**-**	-
Baa3	**947,583**	-	**-**	-
Ba1	**498,417**	-	**-**	-
Ba2	**405,342**	-	**-**	-
B2	**165,186**	-	**-**	-
BBB	**-**	45,278	**-**	-
BBB+	**-**	260,830	**-**	-
BBB-	**150,441**	3,714	**-**	-
B+	**-**	84,019	**-**	-
B	**26,883**	-	**-**	-
B-	**141,676**	-	**-**	-
Gross carrying amounts	**7,147,967**	5,562,086	**1,035,682**	14,225
Loss allowance	**(26,894)**	(26,894)	**-**	-
Carrying amount	**7,121,073**	5,535,192	**1,035,682**	14,225

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

28.4 Credit risk (continued)

Amounts due by subsidiaries

During 2020, a net impairment loss of €2,371,152 (2019: €22,625) on the amounts owed by subsidiaries was sustained during the year.

Guarantees

At 31 December 2020, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 30).

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

The COVID-19 pandemic lockdown put stress on the Group's liquidity position as demand for Group's services was impacted during the period from 12 March to 31 December 2020. The Group has taken and continues to take action to mitigate the impact, including reducing capital expenditure and operating expenses. Whilst the Group continues to be impacted by the effects of the COVID-19 pandemic, it continues to meet its demands on liquidity through cash generated from operations, increased bank funding and unutilised overdraft facilities.

The steps taken by the Group to respond to possible future liquidity constraints from the COVID-19 pandemic and the impact of those steps on the financial statements include the following:

- Immediate measures adopted across the Group to reduce operating costs. This considering that a significant element of the Group's cost base relates to wages and salaries;
- A capital and interest moratoriums on its bank loans;
- Renegotiated favourable terms with a number of its major suppliers;
- Stepped up its credit management actions to shore up liquidity;

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

28.5 Liquidity risk (continued)

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2020, the expected cash flows from trade and other receivables maturing within three months were €9.6 million (2019: €17.7 million) and the expected cash outflows due within three months were €5.7 million (2019: €10.5 million) comprising trade and other payables of €4.5 million (2019: €9.1 million) and loan repayments of €1.2 million (2019: €1.4 million). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following other lines of credit, which remain undrawn at 31 December 2020:

- €1,676,159 (2019: €541,409) overdraft facility which bears interest at the Bank's Base Rate plus 3 per cent.
- €411,247 (2019: € 396,819) credit card facilities of approximately €1,806,204 (2019: €1,806,204) for OCTG customs clearance purposes.

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

28.5 Liquidity risk (continued)

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

	Carrying amount €	Contractual cash flows €	Less than 1 year €	1 - 2 years €	2 - 5 years €	5-10 years €	More than 10 years €
31 December 2020							
Financial liabilities							
Secured notes	**20,100,431**	**(23,600,000)**	**(1,200,000)**	**(1,199,425)**	**(21,200,575)**	**-**	**-**
Unsecured notes	**29,698,867**	**(37,247,131)**	**(1,416,557)**	**(1,418,128)**	**(4,254,384)**	**(30,158,063)**	**-**
Secured bank loans	**7,319,560**	**(7,939,571)**	**(2,161,460)**	**(1,670,179)**	**(3,300,438)**	**(807,494)**	**-**
Bank overdraft	**2,615,439**	**(2,680,723)**	**(2,680,723)**	**-**	**-**	**-**	**-**
Lease liabilities	**18,369,667**	**(37,494,333)**	**(3,363,831)**	**(2,112,491)**	**(5,478,647)**	**(5,018,923)**	**(21,520,441)**
Trade and other payables	**6,573,068**	**(6,573,068)**	**(6,573,068)**	**-**	**-**	**-**	**-**
	84,677,029	**(115,534,825)**	**(17,395,638)**	**(6,400,223)**	**(34,234,044)**	**(35,984,479)**	**(21,520,441)**
31 December 2019							
Financial liabilities							
Secured notes	19,996,983	(24,800,000)	(1,200,000)	(1,199,425)	(22,400,575)	-	-
Unsecured notes	30,346,757	(39,629,840)	(1,459,870)	(1,458,248)	(36,711,722)	-	-
Secured bank loans	4,594,178	(4,796,082)	(2,311,957)	(2,165,048)	(319,077)	-	-
Bank overdraft	5,117,977	(5,316,349)	(5,316,349)	-	-	-	-
Lease liabilities	30,544,906	(65,855,015)	(3,980,928)	(3,635,058)	(7,975,295)	(12,073,625)	(38,190,109)
Trade and other payables	10,938,906	(10,938,906)	(10,938,906)	-	-	-	-
	101,539,707	(151,336,192)	(25,208,010)	(8,457,779)	(67,406,669)	(12,073,625)	(38,190,109)

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

28.5 Liquidity risk (continued)

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

28.6 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. The functional currencies of Group companies are primarily the Euro and US Dollar (USD). The currencies in which these transactions are primarily denominated are Euro, US Dollar (USD), Libyan Dinar (LYD), Omani Rial (OMR), Egyptian Pounds (EGP), British Pounds (GBP) and United Arab Emirates Dirham (AED).

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

			31 December 2020			
	USD	**LYD**	**OMR**	**AED**	**EGP**	**GBP**
Trade receivables	920,679	-	484,485	2,674,333	-	-
Trade payables	354,076	-	148,930	1,280,770	-	-
Unsecured notes	(9,249,418)	-	-	-	-	-
Bank loan	-	-	(296,216)	-	(34,442,981)	-
Available funds in foreign currency	5,824,619	21,632	519,801	1,360,244	2,652,595	1,603
Net statement of financial position exposure	**(2,150,044)**	**21,632**	**857,000**	**5,315,347**	**(31,790,386)**	**1,603**

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

28.6 Market risk (continued)

Currency risk (continued)

	31 December 2019					
	USD	**LYD**	**OMR**	**AED**	**EGP**	**GBP**
Trade receivables	6,524,915	-	457,355	2,505,344	-	-
Trade payables	3,243,425	-	120,063	(1,224,259)	-	-
Unsecured notes	9,216,504	-	-	-	-	-
Bank loan	-	-	(606,834)	-	(54,730,317)	-
Available funds in foreign currency	4,532,481	43,873	343,587	694,896	8,688,620	11,520
Net statement of financial position exposure	23,517,325	43,873	314,171	1,975,981	(46,041,697)	11,520

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

	31 December 2020
	USD
Unsecured notes	**(9,249,418)**
Available funds in foreign currency	**994,856**
Net statement of financial position exposure	**(8,254,562)**

	31 December 2019
	USD
Unsecured notes	(9,228,428)
Available funds in foreign currency	3,924
Net statement of financial position exposure	(9,224,504)

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

28.6 Market risk (continued)

Currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
USD	**1.1414**	1.1194	**1.2264**	1.1215
GBP	**0.889**	0.877	**0.898**	0.850
LYD	**1.557**	1.544	**1.612**	1.543
OMR	**0.438**	0.430	**0.4706**	0.4306
AED	**4.192**	4.110	**4.5039**	4.1187
EGP	**18.015**	18.799	**19.262**	17.963

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 2019.

	The Group	**The Company**	**The Group**	**The Company**
	Profit or loss		**Equity**	
	€	**€**	**€**	**€**
31 December 2020				
USD	**(187,011)**	**99,486**	**362,330**	**754,209**
LYD	**(1,342)**	**-**	**-**	**-**
OMR	**-**	**-**	**(244,770)**	**-**
AED	**-**	**-**	**(118,804)**	**-**
EGP	**165,039**	**-**	**-**	**-**
GBP	**(178)**	**-**	**-**	**-**

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

28.6 Market risk (continued)

Currency risk (continued)

	The Group	The Company	The Group	The Company
	Profit or loss		Equity	
	€	€	€	€
31 December 2019				
USD	(912,787)	-	(1,185,155)	-
LYD	(2,847)	-	-	-
OMR	-	-	(72,959)	-
AED	-	-	(48,024)	-
EGP	258,175	-	-	-

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.

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	
	2020	2019	**2020**	2019
	€	€	**€**	€
Variable-rate instruments				
Financial assets	**7,121,073**	5,535,192	**1,035,682**	14,225
Financial liabilities	**(9,934,999)**	(4,479,464)	**-**	-
Fixed-rate instruments				
Financial assets	**-**	-	**39,516,253**	43,550,676
Financial liabilities	**(49,799,298)**	(50,343,740)	**(49,799,298)**	(50,343,740)

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

28.6 Market risk (continued)

Interest rate risk (continued)

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

The 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 €28,139 (2019: €41,770) and by €10,357 (2019: €142) 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 2019.

Net investment hedges

A foreign currency exposure arises from the Group's net investment in METS that has a USD functional currency. The risk arises from the fluctuation in spot exchange rates between the USD and the Euro, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening USD against the Euro that will result in a reduction in the carrying amount of the Group's net investment in METS.

Part of the Group's net investment in METS is hedged by a USD denominated bond (carrying amount: €7,542,091 (2019: €8,231,373) which mitigates the foreign currency risk arising from the sub-group's net assets. The bond is designated as hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/USD spot rate.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debts that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

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

28.6 Market risk (continued)

Net investment hedges (continued)

The amounts related to items designated as hedging instruments were as follows:

	The Group	
	2020	2019
	€	€
Foreign exchange denominated debt		
USD denominated notes	**9,249,418**	8,228,688
	9,249,418	8,228,688
Change in fair value used for calculating hedge ineffectiveness	**(706,066)**	160,278
Change in value of hedging instrument recognised in OCI	**706,066**	(160,278)
Foreign currency translation reserve	**706,066**	(160,278)

28.7 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.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

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

28.7 Operational risk (continued)

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.

The management team is taking actions to ensure that its Group entities' operations remain ongoing, with the lowest possible disruptions, through its business continuity plan across all the jurisdictions in which the Group is present.

28.8 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 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.

29 Leases

29.1 As a lessee

The Group leases several parcels of land and buildings in Malta, Cyprus, Iraq, UAE and Oman. The lease terms for these leases run for various periods, up to a maximum remaining period of 40 years until 2060.

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

29.1.1.1 Right-of-use assets

	Property **2020**	2019
	€	€
Balance at 1 January	**75,847,997**	78,335,057
Additions	**-**	98,086
Depreciation	**(4,701,986)**	(4,606,764)
Lease modification	**(8,328,045)**	1,737,328
Effect of movement in exchange rates	**(628,453)**	284,290
Balance at 31 December	**62,189,513**	75,847,997

29.1.1.2 Revaluation of Right-of-use assets related to Malta base

The right-of-use assets of the Group at the Malta Freeport Terminals, which comprise industrial land emanate from the emphyteutical grant deeds dated 29 May 1997, 23 December 1999 and 22 June 2004, the lease agreement dated 5 December 2012 as well as the operating licence issued by the Malta Freeport Corporation Limited to the subsidiary, Medserv Operations Limited on the 5 December 2012. The right-of-use assets of the subsidiary relating to Hal Far Industrial Estate, which comprise two adjacent plots of industrial land, emanate from the respective lease agreements. These right-of-use assets are measured using the revaluation model under IAS 16.

The directors have re-assessed the fair value of these right-of-use assets at 31 December 2020 by reference to an opinion provided by independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation of these right-of-use assets was carried out on the basis of market value on the assumption that these could be sold subject to any existing third-party obligations. The determination of fair value considers publicly available data and comparable recent market transactions on an arm's length basis, together with the analysis and experience of the local real estate market and information provided by the subsidiary.

On this basis, the directors concluded that the carrying amount of the above-mentioned right-of-use assets of €55,698,421 falls within the range of values arrived at by the valuer and that it therefore approximates the fair value at the reporting date. Accordingly, no adjustment is required in these financial statements.

29 Leases (continued)

29.1 As a lessee (continued)

29.1.1.2 Revaluation of Right-of-use assets related to Malta base (continued)

The carrying amount of the other right-of-use assets relating to land are not deemed materially different from their fair value at reporting date and have thus not been revalued.

The directors are of the view that there still remains uncertainty as to the long-term effects of this pandemic which could result in adverse market movements with a consequential effect on the fair value of the right-of-use assets. As a result of this, the assumptions may need to be revised significantly in 2021.

29.1.1.3 Measurement of fair value

The fair value measurement of the *right-of-use asset of the Malta base* has been categorised as Level 3 fair value based on the inputs to the valuation techniques used.The following table shows the valuation technique used in measuring the fair value of land held from emphyteutical grant, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market approach: The valuation model provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.	Freehold prices per square metre ranging from €161 to €1,073	The estimate fair value would increase / (decrease) if: - freehold price per square metre was higher / (lower) - the risk-adjusted discount rate were lower / (higher)
	Discount rates ranging from 4.40% to 5.26%	The estimate fair value would increase / (decrease) if discount (decreases)/increases

29 Leases (continued)

29.1 As a lessee (continued)

29.1.2 Lease liabilities

	2020	2019
	€	€
Maturity analysis-contractual undiscounted cash flows		
Less than one year	**3,363,831**	3,980,928
One to five years	**7,591,138**	11,610,353
Five years to ten years	**5,018,923**	12,073,625
More than ten years	**21,520,441**	38,190,109
Total undiscounted lease liabilities at 31 December	**37,494,333**	65,855,015
Current	**1,024,265**	1,373,791
Non-current	**17,345,402**	29,171,115
Lease liabilities included in the statement of financial position at 31 December	**18,369,667**	30,544,906

Amounts recognised in profit or loss

	2020	2019
	€	€
Interest on lease liabilities	**(1,493,314)**	(1,988,383)
Variable lease payments not included in the measurement of lease liabilities	**(53,040)**	(55,182)

Amounts recognised in the statement of cash flows

	2020	2019
	€	€
Total cash outflow for leases	**(3,694,464)**	(4,136,489)

29 Leases (continued)

29.1 As a lessee (continued)

29.1.3 Extension option

Some leases contain extension options exercisable by the Group up to one year before the end of the contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options and subsequently reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The extension options provided to the Group were assessed by management and it was concluded that all extension options exercisable by the Group are reasonably certain to be exercised.

30 Contingencies

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

- Guarantees given by the Group's bankers in favour of third parties amounting to €1,245,132 (2019: €661,379);
- The Company acts as a guarantor to a bank in respect of credit facilities granted to one of its subsidiary for €530,309;
- The Company acts as a guarantor to certain banks in respect of credit facilities granted to one of its subsidiary up to a limit of €12,270,000;
- First charge over the purchased machinery, equipment, vehicles by a subsidiary in favour of the bank;
- Irrevocable assignment of payments from a customer of a subsidiary in favour of the bank;
- Marginal deposit by way of monthly margin built up of OMR2,700 for 36 months till the balance reaches OMR 97,200; and
- Letter of undertaking to route 100% of receivables of a particular customer through the Group's bankers.

30.2 The Company has uncalled share capital on its investments in subsidiaries, namely Medserv International Limited, Medserv Libya Limited, Medserv Africa Limited (formerly Medserv Western Mediterranean Limited) and Medserv Eastern Mediterranean Limited amounting to €37,821 (2019: €37,821) (see note 14).

31 Related parties

31.1 Significant shareholders

Two of the Company's directors, namely Mr Anthony S Diacono and Mr Anthony J Duncan hold 29.61% and 34.33% (2019: 31.17% and 34.33%) respectively of the issued share capital of the Company either directly or indirectly.

31 Related parties (continued)

31.2 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 14), its directors and companies controlled by subsidiaries ("other related parties").

31.3 Transactions with key management personnel

There were no loans to directors during the current and comparative year. Compensation for services provided to the Group by key management personnel during the year amounted to €112,437 (2019: €103,750). The total remuneration paid to key management personnel of the Group (including directors' emoluments) during the year amounted to €1,430,860 (2019: €1,530,136). In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Directors' remuneration is included in Note 9.

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.

31.4 Other related party transactions

In addition to the transactions disclosed in the statements of changes in equity and cash flows and notes 14, 19, 24 and 26 to these financial statements, there were the following related party transactions:

	The Company	
	2020	2019
	€	€
Subsidiaries		
Interest charged to	**2,284,073**	**2,565,507**

	The Group		The Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Other related parties				
Services provided by	**112,437**	**52,260**	-	-

31.5 Related party balances

Information on amounts due from or payable to related parties are set out in notes 14, 19, 24 and 26 to these financial statements.

32 Subsequent events

Share for Share Exchange

On 12 April 2021, the Company has concluded a conditional agreement with the shareholders of Regis Holdings Limited (“Regis Shareholders”), a limited liability company registered under the laws of Mauritius with company registration number 120300. Regis Holdings Limited is the holding company of a group of companies (the “Regis Group”), which provides logistics, equipment, procurement and specialised services to a wide range of customers, including national and international energy companies, drilling and mining companies as well as product and equipment manufacturers and other heavy industry-related contractors in South Africa, Mozambique, Uganda and Angola.

Through this transaction, the Company will acquire Regis Holdings Limited and the following group companies (“Regis”):

Subsidiaries:

a) One hundred per cent of Regis Mozambique Limitada, a limited liability company incorporated under the laws of Mozambique;
b) One hundred per cent of Regis Uganda Limited, a limited liability company incorporated under the laws of Uganda;
c) One hundred per cent of Regis Management Services Limited, a limited liability company incorporated under the laws of Mauritius;
d) One hundred per cent of Regis Shipping Limited, a limited liability company incorporated under the laws of Mauritius;
e) One hundred per cent of Regis Exports Trading International Limited, a limited liability company incorporated under the laws of South Africa;
f) One hundred per cent of Thomson & Van Eck Limited, a limited liability company incorporated under the laws of Mauritius;
g) One hundred per cent of Thomson & Van Eck (Uganda) Limited, a limited liability company incorporated under the laws of Uganda;
h) One hundred per cent of Thomson & Van Eck Proprietary Limited, a limited liability company incorporated under the laws of South Africa;

Associates:

i) Thirty percent of Enermech (Mauritius) Limited, a limited liability company incorporated under the laws of Mauritius, which holds a seventy percent investment in Sonimech Limitada, a limited liability company incorporated under the laws of Mozambique;
j) Forty-nine percent of AvHold Limited, a limited liability company incorporated under the laws of Mauritius which holds a seventy percent investment in Skyway Aviation Mozambique LDA, a limited liability company incorporated under the laws of Mozambique; and
k) Specialised Mechanical Technologies Limited, a limited liability company incorporated under the laws of Mauritius;

32 Subsequent events (continued)

Share for Share Exchange (continued)

The acquisition of Regis is subject to the following conditions precedent:

a) the approval by the shareholders of the Company of:
   i. the acquisition of the entire issued share capital of Regis; and
   ii. the issuance of shares in favour of the Regis Shareholders'.
b) the delisting of Regis Holdings Limited from the Stock Exchange of Mauritius;
c) the transfer out of the Regis Group of the shareholding in the following entities, representing non-core businesses (the "Reorganisation"):
   i. Worx Developments Limited;
   ii. Bel Ombre Investments Ltd;
   iii. Regis Property Holdings (Australia) Pty Ltd;
   iv. Thomson and Van Eck International Proprietary Limited;
   v. Drill Stem Testing International Ltd;
   vi. DST Australia (PTY) Limited;
   vii. International Assurance Limited PCC;
   viii. PSV Holdings Limited;
   ix. Capital Mineral Resource Investments Limited;
   x. units held by Regis in OzProp Investment Trust;
   xi. Regis Tanzania Limited;
d) The transfer by the DOC Trust, the Renaissance Trust and the Siger Trust to Docob Limited of the shareholding in Regis (which will then act as seller to the Company of the shareholding in Regis);
e) the receipt by the Sellers of the Foreign Direct Investment Clearance;
f) the execution of a loan agreement in the amount of USD 6,675,093 (and the provision of security) between Regis and Drill Stem Testing International Limited (a company that will be extracted from the Regis Group following the reorganization above described), for the purpose of ensuring that the Medserv group is adequately protected from any liability resulting from the said reorganisation.

Subject to the satisfaction of all conditions precedent, which are in the process of being implemented, the transaction is scheduled to be completed by 30 June with a long stop date set at 31 July 2021. The Company will be changing its name to Medserv-Regis plc.

The global reach of the Company, would, following the acquisition span across four continents, comprise a presence in twelve countries and operations out of ten bases. This is expected to strengthen the Company's market position and broaden its geographic footprint in strategic locations around the Mediterranean region (Libya, Malta, Cyprus and Egypt), in the Middle East (UAE, Oman and Iraq), Sub-Saharan Africa (Mozambique, Uganda, Angola and South Africa) and South America (Suriname).

The board of directors of the Company is confident that the synergies created by this transaction will strengthen the Company's financial position and improve its capability of delivering value to all stakeholders.

32 Subsequent events (continued)

Share for Share Exchange (continued)

Financing transaction

The purchase price of the acquisition is the issuance by the Company of 47,893,229 ordinary shares of a nominal value of €0.10c per share and a share premium of €0.58c per share in favour of Docob Limited, subject, inter alia, to the approval by the Medserv shareholders at the general meeting.

New subsidiary

On 13 January 2021, the Company incorporated a new subsidiary called Medserv Mozambique LDA, a limited liability company registered in Mozambique.

Update on COVID-19

The global economy remains in recession one year into the pandemic. The rollout of the COVID-19 vaccination programmes in 2021 is starting to ease the pandemic, boosting hopes for a sustained recovery in economic activity and energy demand. Recovery in the oil and gas industry is expected in the second half of 2021 with drilling activity to be resumed in the same period. For the directors' assessment in relation to the impact on COVID-19 on the Group and Company's going concern assessment, refer to note 2.2.

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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 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020, 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 provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and, additionally, specifically in relation to those of the Group, with the requirements of 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. During the course of our audit, we maintained our independence from the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

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 (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Impairment assessments of goodwill, property plant and equipment and right-of-use assets related to the Oil Country Tubular Goods ("OCTG") segment (collectively referred to as "METS sub-group")

Accounting policy notes 3.5.1, 3.6.1, 3.7 and 3.9.2 to the financial statements and notes 13, 16 and 29 for further disclosures.

Goodwill (Group: €2,402,932) included in 'Intangible assets and goodwill';
Property, plant and equipment ("PPE") and Right-of-use assets ("ROU assets") in relation to (i) Middle East Tubular Services Limited ("METS UAE"), (ii) Middle East Tubular Services L.L.C. (FZC) ("METS Oman") and (iii) Middle East Tubular Services (Iraq) Limited ("METS Iraq"), included in 'Property, plant and equipment' (Group: €4,436,738 in aggregate, net of impairment) and 'Right-of-use assets' (Group: €3,191,911 in aggregate).

The Group's assets include goodwill, PPE and ROU assets in relation to the OCTG businesses of the Group. Each of those businesses is considered by the Group to be a separate cash generating unit ("CGU" or "CGUs"). Goodwill arising from the acquisition of the METS sub-group has been allocated to a collection of CGUs, the OCTG segment as a whole ("OCTG CGU").

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

At each reporting date, the Company is required to determine whether there are any indications of impairment in relation to the PPE and ROU assets. 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. If such indicators exist (at the asset or separate CGU level), the Company is required to estimate the recoverable amount of that asset or that CGU of which the asset forms part. The OCTG CGU, to which the goodwill relates, is separately tested for impairment annually.

The key risk factors identified by the Group for the businesses to which the separate CGUs and OCTG CGU relate are: (i) the global and regional political and economic risks particularly within an extended COVID-19 scenario; (ii) the concentration risk due to dependency on a few customers and (iii) the volatility in oil and gas prices and related demand for oil and gas and their impact on the customers business activity.

For each asset (tested individually), that is for each separate CGU and the OCTG CGU, the directors prepare a value-in-use analysis to estimate the recoverable amount as per the applicable financial reporting framework. The key inputs, specific to the Group, comprise future cash flows, growth rates and discount rates. Those inputs are subject to inherent estimation uncertainty and therefore, significant judgement.

Our response

We involved our valuation specialist, as appropriate, in performing our procedures. As part of those procedures, for each individual asset, separate CGUs and the OCTG CGU identified in this key audit matter:

- we compared the Group's 2020 budgets with the actual performance of each relevant business for the reporting period and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group;

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

- we assessed the impact of the underlying business risk factors and the assumptions applied in the value-in-use analysis, at reporting date, including projected EBITDA margins with reference to our understanding of the Group, historical trends, available industry information, available market data and relevant documentation on contracted and current business pipeline;

- we assessed whether the discount rates applied in the discounted cash flow forecasts were within a reasonable range by reference to comparable market data; and

- we assessed the impact on the impairment assessment of reasonable possible changes in the key assumptions in the value-in-use analysis including discount rate, annual revenue growth rate and EBITDA margins used for estimating the recoverable amount.

We have no key observations to report specific to this matter.

Impairment assessments of investments in and loans receivable from subsidiaries of (i) Medserv M.E. Limited and (ii) Medserv Eastern Mediterranean Limited

Accounting policy notes 3.3.2, 3.9.1, 3.9.2 and 3.10 to the financial statements and notes 14 and 24 for further disclosures.

Investments in and loans receivable from (i) Medserv M.E. Limited and (ii) Medserv Eastern Mediterranean Limited included in 'Investments in subsidiaries' (Group: €4,356,226 in aggregate, net of impairment) and 'Loans receivables from subsidiaries' (Group: €37,771,911 in aggregate, net of impairment).

The Company's assets include, amongst others, investments in and loans receivable from Medserv M.E. Limited and Medserv Eastern Mediterranean Limited. Each of those businesses is considered by the Company to be a separate cash generating unit ("CGU" or "CGUs").

At each reporting date, the Company is required to determine whether there is any indication of impairment on the investments in subsidiaries. If such indicators exist (at separate CGU level), the Company is required to estimate the recoverable amount of that CGU.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

The key risk factors identified by the Company for the businesses to which the separate CGUs relate are: (i) the global and regional political and economic risks particularly within an extended COVID-19 scenario; (ii) the concentration risk due to dependency on a few customers and (iii) the volatility in oil and gas prices and related demand for oil and gas and their impact on the customers business activity.

For past due loans receivable from the subsidiaries identified in the first paragraph of this key audit matter, the Company assesses whether those receivables are credit impaired. Any credit losses are measured at the present value of all cash shortfalls. In estimating any shortfalls (and therefore any expected credit losses), the Company applied the same projections used for the value-in-use analysis prepared in estimating the recoverable amount of investments in these subsidiaries. This, considering that the recoverability of those receivables is supported by the same projections, and subject to the same risk factors and key assumptions as those underlying the calculation of the recoverable amount of the related investments.

In estimating the recoverable amount, as per the applicable financial reporting framework, the directors prepare a value-in-use analysis for each separate CGU. The key inputs, specific to the Company, comprise future cash flows, growth rates and discount rates. Those inputs are subject to inherent estimation uncertainty and therefore, significant judgement.

Our response

We involved our valuation specialist, as appropriate, in performing our procedures in relation to the 'investment in subsidiaries'. As part of those procedures, for each separate CGU:

- we compared the 2020 budgets with the actual performance of each subsidiary for the reporting period and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of those subsidiaries;

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

- we assessed the impact of the underlying business risk factors and the assumptions applied in the projections used for the value-in-use analysis, at the reporting date, including projected EBITDA margins with reference to our understanding of those subsidiaries, historical trends, available industry information, available market data and relevant documentation on contracted and current business pipeline;

- we assessed whether the discount rates applied in the discounted cash flow forecasts were within a reasonable range by reference to comparable market data; and

- we assessed the impact on the impairment assessment of reasonable possible changes in the key assumptions in the projections used for the value-in-use analysis including discount rate, annual revenue growth rate and EBITDA margins used for estimating the recoverable amount.

Our procedures, noted above in relation to the 'investment in subsidiaries' were used to evaluate the Company's assessment of the expected credit loss of the past due loans receivable, for each subsidiary referred to in this key audit matter.

We have no key observations to report specific to this matter.

Deferred tax assets recoverability

Accounting policy note 3.16 to the financial statements and note 17 for further disclosures.

Deferred tax assets on unutilized investments tax credits in 'Deferred tax assets' (Group: €8,339,822).

At the reporting date, the Group recognised deferred tax assets on unutilized investment tax credits related to Medserv Operations Limited. In accordance with the applicable financial reporting framework, the recognition of those deferred tax assets is permitted only to the extent that it is probable that future taxable profits will be available, against which these assets can be used. The recognition of deferred tax assets, therefore, requires significant judgement in estimating future profitability (and the extent of taxable profits) based on profit forecasts drawn up by the directors at the reporting date. Due to

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

estimation uncertainty, the projected relief of tax credits for which the deferred tax assets are recognised, might be materially different from the amount ultimately relieved.

Our response

As part of our audit procedures:

- we compared 2020 budget of Medserv Operations Limited with the actual performance for the reporting period and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of that subsidiary; and
- we evaluated the assumptions adopted in the preparation of taxable profit forecasts at the reporting date with reference to our understanding of that subsidiary's business, historical trends, available industry information and available market data and relevant documentation on its contracted and current business pipeline.

We have no key observations to report specific to this matter.

Other information

The directors are responsible for the other information which comprises:

- the 'Chairman's Statement';
- the 'CEO's Statement';
- the 'Statement on Corporate Social Responsibility';
- the 'Directors' Report';
- the 'Statement by the Directors pursuant to Listing Rule 5.68'; and
- the 'Directors' Statement of Compliance with the Code of Principles of Good
- Corporate Governance',

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 on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Other information (continued)

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 the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and 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 Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and 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 Company and/or the Group to cease to continue as a going concern.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

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

- 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 financial statements of the Group. 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 audit committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, 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.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

2 Opinion on the Directors' Report

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

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

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

Pursuant to Listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, we are required to 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.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

3 Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the board of directors on 26 October 2001, and subsequently reappointed by the shareholders at the Company's general meetings for each financial year thereafter. Following the listing of the Company's shares on the Malta Stock Exchange, and excluding the initial period during which those shares were listed (that is, financial year ending 31 December 2006), the period of total uninterrupted engagement is fourteen years;

- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and

- we have not provided any of the prohibited services as set out in the APA.

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Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

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

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

- proper accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records; or

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

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

KPMG
Registered Auditors

30 April 2021

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Independent Assurance Report

To the Shareholders of Medserv p.l.c.

Report required by Listing Rules 5.98 and 12.26N issued by the Listing Authority in Malta

We were engaged by the Directors to report on specific disclosures in the Corporate Governance Statement and the Remuneration Report (the "Disclosures") of Medserv p.l.c. (the "Company") as at 31 December 2020 as to whether these are in compliance with corporate governance regulations and information to be provided in the remuneration report set out in the Listing Rules issued by the Listing Authority, the Malta Financial Services Authority (the "Listing Rules"). We are required to report in the form of an independent reasonable assurance conclusion as to whether:

(a) in light of our knowledge and understanding of the Company and its environment obtained during the course of the statutory audit, we have identified material misstatements with respect to the information requirements referred to in Listing Rule 5.97.4, and for issuers of securities that carry voting rights that are subject to the requirements of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the information referred to in Listing Rule 5.97.5. Where material misstatements are identified in relation to the requirements of Listing Rules 5.97.4 and 5.97.5, as applicable, we shall, in addition to our opinion, provide an indication of the nature of such misstatements;
(b) the Disclosures include the other information required by Listing Rule 5.97, insofar as it is applicable to the Company; and
(c) the Disclosures include the information required by Appendix 12.1 under Chapter 12 of the Listing Rules, insofar as it is applicable to the Company.

Responsibilities of the Directors

The Directors are responsible for the compliance of the Company, and of the Disclosures, with the Listing Rules.

The Directors are also responsible for preparing and presenting the Disclosures that are free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Disclosures that is free from material misstatement whether due to fraud or error. It also includes ensuring that the Company complies with the Listing Rules, selecting and applying policies and procedures in relation to both financial and non-financial information, making estimates and judgement that are reasonable in the circumstances and for maintaining adequate records in relation to the Disclosures.

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Independent Assurance Report

To the Shareholders of Medserv p.l.c.

Responsibilities of the Directors (continued)

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

The Directors are also responsible for ensuring that staff involved with the preparation and presentation of the Disclosures are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units relevant to the Disclosures encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations since the date of the Disclosures and since the date of our most recent assurance report on the Disclosures.

Our Responsibilities

Our responsibility is to examine the Disclosures and to report thereon in the form of a reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board.

That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Listing Rules.

The firm applies International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our assurance engagement in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent Assurance Report

To the Shareholders Medserv p.l.c.

Our Responsibilities (continued)

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Company's internal control over the preparation and presentation of the Disclosures. Our engagement also included assessing the appropriateness of the Disclosures, the suitability of the criteria, being the relevant Listing Rules, in preparing and presenting the Disclosures in the circumstances of the engagement and evaluating the appropriateness of the method used in the preparation and the overall presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

We are not required to, and we do not, consider whether the directors' 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 Company's corporate governance procedures or its risks and control procedures, nor on the ability of the Company to continue in operational existence. Our opinion in relation to the disclosures pursuant to Listing Rules 5.97.4 and 5.97.5 is based solely on our knowledge and understanding of the Company and its environment obtained in forming our opinion on the audit of the financial statements. We have not performed any procedures by way of audit, verification or review on the underlying information from which the other disclosures required by Listing Rule 5.97 is derived.

We also read the other information included in the Annual Report in order to identify any material inconsistencies with the Disclosures.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

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Independent Assurance Report

To the Shareholders of Medserv p.l.c.

Conclusion (continued)

In our opinion:

(a) in light of the knowledge and understanding of the Company and its environment obtained during the course of our statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Listing Rule 5.97.4, and for issuers of securities that carry voting rights that are subject to the requirements of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the information referred to in Listing Rule 5.97.5 set out in the Directors' Report;

(b) the Disclosures include the other information required by Listing Rule 5.97 insofar as it is applicable to the Company; and,

(c) the Disclosures include the information required by Appendix 12.1 under Chapter 12 of the Listing Rules, insofar as it is applicable to the Company.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Noel Mizzi.

KPMG
Registered Auditors

30 April 2021