



Annual Report & Financial Statements

2019

Table of Contents

DIRECTORS' & OTHER STATUTORY REPORTS

08

Chairman's Statement

10

CEO'S Statement

14

Corporate Social
Responsibility

16

Statement of the
Directors on the Financial
Statements and Other
Information included in the
Annual Report

31

Directors' Statement of
Compliance with the Code of
Principles of Good Corporate
GovernanceFINANCIAL STATEMENTS

49

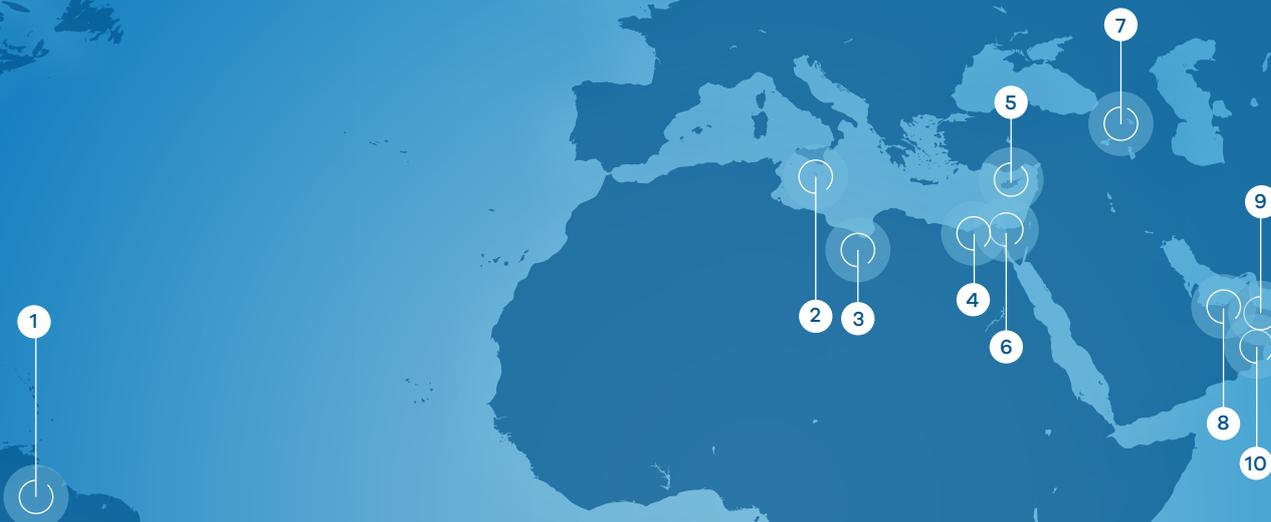
Financial Statements

60

Notes to the Financial
Statements

159

Independent Auditors'
Report



Bases

- 1 SURINAME
- 4 DAMIETTA, EGYPT
- 6 PORT SAID, EGYPT
- 8 UNITED ARAB EMIRATES
- 10 DUQM, OMAN

- 2 MALTA
- 5 LIMASSOL, CYPRUS
- 7 BASRA, IRAQ
- 9 SOHAR, OMAN

Representative Offices

- 3 LIBYA



EGYPT



UNITED ARAB EMIRATES



SURINAME



IRAQ



MALTA



OMAN



CYPRUS



01

Directors' & Other Statutory Reports

Saipem 3000
NASSAU



Chairman's Statement

—

For the year
ended
31 December
2019

The year under review 2019 confirmed the improving performance of the Medserv Group as the investment done in previous years contributed to this positive result. The market stability experienced during 2019 allowed the Group to utilise effectively its assets across the globe while meeting published forecast for the year.

This result was achieved whilst discussions were ongoing with new strategic investors demonstrating the capabilities of the strong management team and the sound direction of the board of directors. The recent turn of events in the form of the COVID-19 pandemic has led the two major shareholders and AMT S.A. to abort the plan for the major shareholders to sell their holdings to the incoming new investor.

As announced Anthony Duncan and I will continue to seek a new strategic investor that will support the continued growth of the Group while implementing the succession plan for the current major shareholders. This will be done when the right investor is identified at the appropriate time.

The Group started the current year 2020 at a strong pace and the first quarter continued same as 2019. The recent slowdown in the global economy has necessitated quick and tough decisions by the Group and measures have been put in place to conserve liquidity and place our Group in a position to meet its financial obligations and to continue to service our clients in these challenging times.

The results obtained in 2019 show that we have invested wisely and that our product is very well received by the market. The slowdown we are expecting to experience over the next twelve months will cease as demand for oil and economic growth returns to the global market.

My board and management are focused on our long-term plans to ensure that the Group will restructure at all levels where necessary while allowing us to retain the position of relevance we enjoy in our market today.

Both I and the Group look at the future with cautious confidence as the experience we have shared with all our stakeholders over the last forty-five years of activity have time and again demonstrated that the industry and our Group are both resilient and well equipped to overcome the current slowdown and resume growth in 2021.



Anthony S Diacono
Chairman

29 MAY 2020



CEO's Statement

—

For the year
ended
31 December
2019

Resilient today,
Growth tomorrow

Over the years Medserv has established a good reputation in the energy industry evidenced by the long-term relationships with International Oil Companies (IOCs), multinational pipe suppliers and their subcontractors. The Company has successfully spread its business by geographically positioning itself in both offshore and onshore oil and gas markets having low cost of extraction.

This puts Medserv in a well-positioned place to continue achieving steady growth in its core geographical markets and products.

Performance 2019

The Company's total revenues for year 2019 amounted to €68.7 million (2018: €36.2 million), 90% increase over last year. Earnings, before interest, tax, depreciation and amortisation (EBITDA) grew by 74%, from €7.3 million to €12.7 million. A detailed analysis of the Company's financial performance for the reporting year is provided in the Directors' report.

Integrated Logistics Support Services (ILSS) segment supported offshore drilling activity in Libya, Cyprus, Egypt and Suriname. The Middle East remained the main driver for EBITDA from supply chain management of Oil Country Tubular Goods (OCTG).

All operating facilities within the Company registered improved earnings in year 2019, compared to last year, with significant improved earnings in Iraq and Malta (for

Libya). A key contributor to the overall improved EBITDA was the Suriname exploration drilling campaign. Despite the drilling campaign terminating at the end of 2019 the Company is committed to maintain its presence in the region. The large finds in Guyana, Trinidad and Tobago, as well as future activity planned in Suriname makes this region an exciting area for exploration in the oil and gas industry.

The substantial investment carried out over the last years in Health and Quality by the Company has allowed us to register the lowest ever level of incidents and near misses compared to historic results. A huge achievement considering the volume of business registered during the year.

COVID-19 impact

The COVID-19 pandemic coupled with the collapse in the oil price due to the drop in demand for oil as well as geo-political events resulted in international oil companies (IOCs) announcing cutting back on capital expenditure, and customers demanding discounts. Medserv's budgeted earnings for year 2020 were impacted particularly in the ILSS segment as offshore drilling activity has been postponed. In our case this suspension of service was mainly due to the inability of providing a safe working environment, consequent to travel bans and closure of ports imposed by Governments.

The earnings from the OCTG segment of the Company which is driven by onshore drilling activity in the Middle East had minimal impact from the pandemic and oil price decrease.

National Oil Companies of this region did not suspend any onshore drilling and continue to confirm their commitment to approved projects as well as to increase their production capabilities.

We project offshore exploratory drilling and development in the Company's operating markets to resume in second quarter of next year, resulting in the Company returning to EBITDA levels generated in year 2019.



**Action Plan 2020
to 2023**

Year 2020 is expected to be a challenging year for the Company as it battles through the economic impact of COVID-19. The Company's objective is to preserve its liquidity and ensure that it continues to register positive EBITDA during this period. Immediate cost containment measures have been put in place across the Group to restructure to the new norm and any capital expenditure plans have been postponed. Such measures ensure that the Company will have sufficient funds to meet its obligations as they arise and fall due through the course of the year.

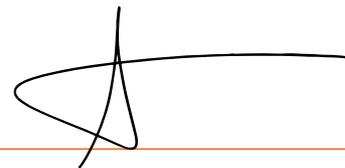
The Company still enjoys a strong business pipeline across its core markets, being North Africa, Eastern Mediterranean and the Middle East. Once travel bans are lifted these long-term energy projects for which the Company is already contracted to service will resume. The main reason for resumption being that the cost of commercialising these projects are low, and they are located close to the market or are needed for national consumption. These projected earnings allow the Company to implement its financial plan to establish a sustainable long-term capital structure and position the Company for long-term growth.

Additionally, the Company is awaiting adjudication of several tenders including ILSS services to an IOC operating offshore Egypt and Supply Chain Management for OCTG contracts in the United Arab Emirates.

Africa will be the next growing market for energy and the Company has the experience and reach to tap this market in need of Medserv's core competencies.

The Company's strategy remains that of sustainable growth. Priority will be given to reducing the Company's gearing levels which will allow the company to meet all its obligations, finance growth and resume dividend payment in the near future.

Despite near-term headwinds, we remain excited about what the coming years will bring for Medserv. We thank our customers for their business and trust, our employees for their hard work and dedication, and our shareholders for their support.



Karl Bartolo
CEO

29 MAY 2020

Corporate Social Responsibility

For the year ended 31
December 2019

We believe that our commitment to social responsibility is a long-term investment that serves to strengthen our operations and competitiveness in the marketplace, attract and engage talented employees, and maintain our reputation. The Company is committed to remaining socially accountable and highly conscious about creating positive social value. The Company recognises the importance and places priority on social awareness and contribution, environmental factors, as well as the well-being and development of its workforce whilst maximising the creation of shared value for its shareholders.

Today the Company operates across four continents and in each of its bases, the respective teams are responsible to carry out and implement the Company's commitment to Corporate Social Responsibility (CSR). Over 2019, the teams in Malta, Cyprus, Egypt, the

Middle East and Suriname carried out several initiatives and put forward donation and philanthropy proposals to this effect.

The team in Cyprus participated in beach clean ups with a view to raising awareness of preserving our environment as well as marathons to highlight the importance of sports and physical wellbeing.

Across the Atlantic, in Suriname, the team sponsored the enrolment of students to various technical courses as well as on-the-job training to young marine cadets in Suriname reaffirming the firm's belief in contributing towards education by offering opportunities to the communities in which we operate. In the Middle East, the team once again provided an Iftar meal pack distribution for all personnel in Hamriyah Free zone, to both METS & non-METS personnel. In Malta, the Company sponsored the Write Deal

Association in order to raise public and political awareness on social and environmental issues through its audio-visual productions and work amongst other initiatives.

As part of our philanthropic and community engagement efforts, across Medserv Group, the Company also supported initiatives that increase the awareness of health issues in society by participating in events as well as donating to various health awareness campaigns such as Pink October, Movember and Autism Awareness. Amongst others, the Company has also sponsored the LifeCycle (Malta) Foundation which raises awareness on the importance of kidney health for everyone. In fiscal year 2019, the Company also provided donations to various charitable institutions and events such as the Orphanage 'Elim of the Lord' in Suriname, and the Community Chest Fund and L-Istringa 2019 in Malta.

We continue to drive emission reductions with a portfolio of projects such as heating and air condition upgrades, lighting efficiencies, and operational enhancements across the Company. Medserv has also recognised the responsibility for pursuing more proactive and sustainable practices in the energy sector and acknowledged its obligation to reduce its carbon footprint. In 2014, the Company invested in the implementation of a 2MW PV system (solar farm) at its Malta Freeport base. In 2018, Medserv Malta's operation was carbon positive with a recorded energy savings equivalent of avoiding 1,235 tonnes of CO² production. The Company was amongst the first in the industry to adopt such measures, something that Medserv is very proud of. In 2019, Medserv Malta's

operation was also carbon positive with a recorded energy savings equivalent of avoiding 1,342 tonnes of CO² production in Malta. These higher annual generating results were achieved through meeting a 5% system efficiency upgrade annual target. The Company is confident that high efficiency results will be repeated in 2020.

In 2019, the Company also concluded its collaboration as the main industrial partners in the pioneering award winning FLASC project, a cutting-edge offshore energy storage prototype. This project uses pressurised seawater and compressed air to store energy from offshore renewable resources.

Whilst we must continually push ourselves and our Company further in advancing our environmental and social commitments, we remain thankful for the support of our employees, stakeholders, and customers and look forward to continuing to work together on behalf of these and further worthy causes.

Directors' Report

—

For the year
ended
31 December
2019

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 2019.

Board of Directors

Anthony S Diacono
Anthony J Duncan
Joseph F X Zahra

Joseph Zammit Tabona
Godwin A Borg (resigned on
2 July 2019)
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 is 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

With spending returning by the IOCs on the back of stronger oil prices, year 2019 was characterised by an upward trajectory. The investment that the Group has put in place in its management systems during the past years is bearing positive results. Medserv has achieved international recognition within the oil and gas service industry for its core competencies, namely the Integrated Logistics Support Services (ILSS) and OCTG.

The year 2019 was marked with a number of value propositions which have increased the underlying values of the Company's contracts as well as unlocking new opportunities in both its operating segments.

During the fourth quarter of 2018, the Company secured a shore base contract valued at \$30.6 million in South America, a new geographical market, following an international tendering process. The contract is for a period of fifteen months commencing on 1 January 2019. The contract relates to an

emerging region adjacent to recent discoveries in offshore Guyana, potentially providing further opportunities in the region for the Group.

Operations in Egypt started in January 2018. As in any start-up, the contract implementation was challenging as the Company finalized its recruitment for key personnel and the purchase of all its own equipment. All the equipment has been commissioned towards the fourth quarter of 2018, and this resulted in increased earnings and margins reflected in 2019. Following the successful execution of this important contract, the Group is well positioned to secure services of similar scope with other operators in Egypt.



Principal Risks and Uncertainties



During the year, the Company has secured a third contract in Cyprus with a major IOC, which has now consolidated the Company's leading position in the region. The Company has successfully supported a two-well drilling program during the year in Block 10, which resulted in a considerable natural gas discovery offshore Cyprus in the second well, Glaucus-1. This has triggered multi-drilling programs in the coming years as well as interest by other IOCs in securing acreage in neighbouring countries.

The Group continues to service the offshore Libya projects as its contracts are extended. Work volume is anticipated to increase in line with the IOCs' offshore development plan to increase offshore field production volumes in Libya.

The OCTG operating segment operating solely in the Middle East remains a key contributor to the Group's earnings. The subsidiary in Duqm, Oman continues to generate substantial earnings. The performance of the subsidiaries in Iraq and in Sohar, Oman is improving.

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 as follows:

Restructuring measures have been put in place and the Company remains committed to operating in these two regions as a result of the potential growth opportunities. The Iraq business venture has a leading position being the sole VAM® licensed workshop in the south of the country. The VAM® licensee network consists of certified repair shops that thread premium connections of the same quality and performance as those delivered from the production facilities of Vallourec Oil & Gas France.

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.

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 Organisation of the Petroleum Exporting Countries (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' and 'Environmental Services'. Last year, the Group continued its drive to increase its spread by adding 'Management Services' within its portfolio.

▶

Financial Performance

Group's total revenue for the year amounted to €68,729,751 (2018: €36,187,199), representing an increase of 90% over the previous year. The increase in revenue during 2019 is mainly attributable to the nearshore drilling project in Suriname which ended prematurely in December 2019. As a result, the ILSS reported an increase in revenue of €30,727,819, representing an increase of 143% over the previous year. The OCTG segment has also registered an increase in revenue of €1,830,705, which is equivalent to 13% increase when compared with last year.

The Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Group amounted to €12,718,683 (2018: €7,318,591), a significant improvement of 74% over the previous year as a result of the revenue growth. The increase is mainly attributable to the ILSS segment. After recognising depreciation amounting to €7,839,572 (2018: €7,874,864), amortisation amounting to €1,791,067 (2018: €1,923,601), net provision for impairment losses on property, plant and equipment amounting to €Nil (2018: €981,572), the Group generated an operating profit amounting to €3,088,044 (2018: loss of €3,461,446) as a result of the improved business performance. Last year's results were largely impacted by a one-time net provision for impairment losses on property, plant and equipment. The Group has continued to generate cash profits and this allowed the Group to maintain investment throughout that period, enabling the Group to meet demand and new opportunities.

After deducting the net finance costs amounting to €5,641,431 (2018: €5,369,898), the Group registered a loss before tax of €2,553,387 (2018: loss before tax of €8,831,344). Loss after accounting for taxation amounted to €3,360,983 (2018: €9,526,894).

The Group registered negative earnings per share of €0.05c6 (2018: negative earnings per share of €0.16c8).

REVENUE

The Group's revenue was 76% (2018: 59%) generated by the ILSS segment, 23% (2018: 40%) by the OCTG segment and the remaining 0.7% by the photovoltaic income (2018: 1.4%).

▶ **COST OF SALES AND ADMINISTRATIVE EXPENSES**

The cost of sales of the Group for the year amounted to €59,391,709 against €33,639,893 incurred in 2018 mainly due to the increase in the employee benefits expense by €3.8 million following the Group's activity in Suriname. Gross profit margins increased by 7% to 14% compared to last year as a result of the improvement in the market and various cost efficiencies adopted by management during the year.

Cost of sales also include the amortisation of the intangible assets amounting to €1,472,987 (2018: €1,472,988) 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. The Company believes that the intrinsic value from the recognised customer relationships is yet to be derived in the coming years.

Administrative expenses are mainly fixed by nature. However, the increase over last year is mainly the result of last year's drilling campaign in Suriname. 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.

Included in the administrative expenses of the Company is an impairment loss of €2.6 million relating to the Company's investment in a group holding company with investment in the subsidiary in Egypt. This subsidiary is still in its first years of operations and has incurred significant capital expenditure with the aim to achieve long-term growth. As a result, an impairment loss was determined and recognised in the administrative expenses. In the event that the subsidiary in Egypt secures a major contract with another IOC, this impairment could possibly reverse. In addition, administrative expenses for the year also include a significant amount of professional fees in relation to the due diligence of a potential acquisition which was interrupted as a result of the COVID-19 pandemic.

**Financial key
performance
indicators –
the Group**

	YEAR	
	2019	2018
	€ Million	€ Million
TOTAL TURNOVER	68.73	36.19
Integrated Logistics Support Services (ILSS)	52.20	21.47
Oil Country Tubular Goods (OCTG)	16.05	14.22
Photovoltaic Farm	0.48	0.50
Adjusted EBITDA	12.72	7.32
Loss for the year	(3.33)	(9.53)
Cash generated from operating activities	10.05	8.84
Cash and cash equivalents	0.62	2.41
Equity	14.09	18.70
Balance sheet total	154.69	156.78
Capital expenditure	1.46	6.88

	YEAR	
	2019	2018
EBITDA margin in %	18.51%	20.22%
Interest coverage ratio	2.25	1.36
Net debt to EBITDA	4.32	7.67
Debt to Equity ratio	3.90	3.00
EPS	(5c4)	(16c8)
Average number of employees per year	304	292

Financial position

The equity attributable to the owners of the Company as at 31 December 2019 amounted to €14,768,232 (2018: €19,349,641).

Dividends

No reserves are available for distribution.

Reserves

Accumulated losses amounting to €12,438,608 and €4,457,372 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 2020. These long-term contracts are a result of organic growth in the region following the acquisition of the METS Group in 2016. The volumes and profits projected from these contracts would be

equivalent to those currently being earned in Oman. These long-term projects would provide the Group with consistent and dependable earnings from 2020 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 existing facilities for supply chain management of OCTG to support both the offshore and onshore drilling campaigns.

Events Occurring After the End of the Accounting Period

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

Despite the operational challenges presented by COVID-19, the Company's operating subsidiaries have remained substantially

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



▶ The Company's objective is to preserve its liquidity and ensure that it continues to register positive EBITDA.

The Company has immediately taken action to adapt its cost base through lower operating costs and

expects to benefit from government initiatives in relation to the COVID-19 pandemic. The Board shall continue to adopt a proactive approach to the current environment to maintain the continued viability of the Company.

Outlook

Although the oil industry is going through a difficult period, upside exists for those companies that will survive this challenge. Oil prices are expected to recover as oil demand rebounds underpinned by some bullish factors such as a gradual easing of the global lockdown coupled with production cuts and China's bouncing back into the global market. A number of countries, including the countries in which the Group is present, have started to ease the precautionary measures to retain the spread of COVID-19, hoping that this will bring back the positivity in the market.

The recovery is expected to be gradual. Various energy research firms are predicting the global oil demand to return to 2019 levels by

end of year 2021, with oil prices hitting \$40-\$50 a barrel in the second half of this year 2020 and touching \$60 early 2021.

The Company still enjoys a strong business pipeline across its core markets, being North Africa, Eastern Mediterranean and the Middle East. As travel restrictions are lifted, 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.

Going concern

The impact of the COVID-19 pandemic which broke out after the reporting date may cast significant doubt on the Company's and Group's ability to continue as a going concern in view of governments' measures to control the spread of COVID-19 and resulting disruptions in business operations; the pressure on short and long term liquidity requirements; and declining demand for services as a result of delayed projects and cut in capital expenditure by Group's customers.

As required by Listing Rule 5.62, upon due consideration of the Group and Company's performance and statement of financial position, capital adequacy and solvency and taking into consideration the factors noted in the previous paragraph and Note 2.1 in the financial statements the impact of a number of mitigating factors which are explained in that note, the directors confirm the Group 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.

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 2019, the following persons hold 5% or more of its issued share capital:

Malampaya Investments Limited	34.3%	(18,450,000 shares)
Anthony S Diacono	31.2%	(16,751,835 shares)
Rizzo Farrugia & Co (Stockbrokers) Limited on behalf of clients	11.31%	(5,754,844 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. Disclosure pursuant to Listing Rule 5.64.10 is not being on the basis that it could be seriously prejudicial to the Company.

Pursuant to
Listing Rule
5.70.1

There were no material contracts 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.

Pursuant to
Listing Rule
5.70.2

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
29 May 2020
and signed on
its behalf by:



Anthony S. Diacono
Chairman



Dr. Laragh Cassar
Company Secretary

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 29 May
2020 by:



Anthony S. Diacono
Chairman



Dr. Laragh Cassar
Company Secretary

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

Introduction

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.

01

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 2019, the Board comprised six directors, three of whom holding Executive positions, that is, Mr Anthony S. Diacono (Executive Director), Mr Anthony J. Duncan (Executive Director) and Mr Godwin A. Borg (Executive Director) (resigned on the 2nd July 2019) and three holding Non-Executive positions, Mr Joseph F.X. Zahra (Non-Executive Director), Mr Joseph Zammit Tabona (Non-Executive Director), and Laragh Cassar (Non-Executive Director). All of the directors were nominated by the shareholders and appointed automatically with effect from the annual general meeting held on the 27 May 2019.

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 Mr 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. The executive responsibility for the running of the Company's business is collectively vested as explained in Part 2.



PRINCIPLE 3: COMPOSITION OF THE BOARD

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required, adds value to the functioning of the Board and gives 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, during 2019, the Board consisted of three executive directors and three 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.

Mr Joseph Zammit Tabona (Non-Executive Director) is considered to be independent within the meaning provided by the Code. Additionally, notwithstanding Mr Joseph FX Zahra having been appointed to the board in 2006 and thus having served on the Board for more than twelve consecutive years, the Board still considers Mr Zahra to be independent of the Company, its management and its controlling shareholders. Each non-executive director has submitted a declaration to the Board as stipulated under the Code Provision 3.4 undertaking:

- a) to maintain in all circumstances his/her independence of analysis, decision and action;
- b) not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- c) 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 monitor performance and report to its satisfaction. 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 2019, 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 has implemented its policy to meet at least once every quarter. As a matter of practice, each board meeting to be held throughout the year is scheduled well in advance of their due date and each director is provided with detailed Board papers relating to each agenda item 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:

Members	Meetings Attended out of Total held during tenure
Anthony S. Diacono	8 out of 9
Anthony J. Duncan	7 out of 9
Joseph F.X. Zahra	9 out of 9
Joseph Zammit Tabona	8 out of 9
Godwin Borg ¹	4 out of 5
Laragh Cassar	9 out of 9

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.

¹ Resigned on the 2nd July 2019

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 2019, the internal audit function continued to operate and carry out systematic risk-based reviews and appraisals of the operations of the Company and its subsidiaries 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.

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.

Throughout 2019 to date, the Audit Committee was composed of Mr Joseph F.X. Zahra (independent non-executive director and Chairman of the Audit Committee), Mr Joseph Zammit Tabona (independent non-executive director) and Dr Laragh Cassar (non-executive director). The Chairman of the Audit Committee was appointed by the Board of Directors. During 2019, the Audit Committee met seven times.

Members	Meetings Attended out of Total held during tenure
Joseph F.X. Zahra (Chairman)	7 out of 7
Joseph Zammit Tabona	7 out of 7
Laragh Cassar	7 out of 7

The Board considers Joseph F.X. Zahra to be independent (as set out above) and competent in accounting and/or auditing. Such determination was based on Mr Zahra's substantial experience in various audit, accounting and risk management roles throughout his career.

The Board is confident that the 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 composed of Mr Anthony J. Duncan (executive director), Mr Karl Bartolo (CEO), Mr Silvio Camilleri (Group CFO) and Mr Colin Galea (Chief Accountant). The said Committee was set up 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 2019, the Financial Risk Committee met three (3) times.

Members	No of Meetings held: 3	Attended
Mr Anthony J. Duncan		3
Mr Karl Bartolo		3
Ms Silvio Camilleri		3
Mr Colin Galea		3

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 Mr Joseph Zammit Tabona (Chairman), Mr Joseph FX Zahra and Dr Laragh Cassar, all of whom are non-executive directors. Mr Joseph FX Zahra and Mr Joseph Zammit Tabona are considered to be independent directors.

During 2019, the Remuneration Committee met once to discuss and set the salaries and bonuses 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 2019, 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:

- a) ensure that his/her personal interests do not conflict with the interests of the Company;
- b) not carry on, directly or indirectly, business in competition with the Company;
- c) not make personal gains or profits

from his post without the consent of the Company, or from confidential information;

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

e) not obtain any benefit in connection with the exercise of his powers, except with the consent of the Company in a 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 A68.2 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 under review, the Company contributed to many initiatives supporting

the environment, including the participation in beach clean ups in Cyprus with a view to raising awareness of preserving our environment.

The Company also supported initiatives that increases the awareness of health issues in society by participating in events as well as donating to various health awareness campaigns such as the Pink October, Movember and Autism. Moreover, the Company sponsored events such as the Life Cycle Challenge as well as encouraged its employees to participate in various sportive events such as marathons in order to maintain their wellbeing.

The Company firmly believes in the contribution towards education by offering opportunities to young individuals and to this end, the Company sponsored the enrolment of students to various technical courses as well as on the job training

to young marine cadets in Suriname. In addition, the Company sponsored the Write Deal Association in order to raise public and political awareness on social and environmental issues through its audio-visual productions and work.

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 also provided donations to various charitable institutions and events such as the Orphanage 'Elim of the Lord', the Community Chest Fund and L-Istrina 2019.

02

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 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.

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 loss. 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:

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.

General Meetings and Shareholders' Rights

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.

CONDUCT OF GENERAL MEETINGS

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

In order for business to be transacted at a general meeting, a quorum must be present. In terms of the Articles of Association, 51% of the nominal value of the issued equity securities entitled to attend and vote at the meeting constitutes a quorum. If within half an hour, a quorum is not present, the meeting shall stand adjourned to the same day the next week, at the same time and place or to such other day and at such other time and place as the directors may determine. In any event, the adjourned meeting must be held at least ten days after the final convocation is issued and no new item must be put on the agenda of such adjourned meeting. If at the adjourned meeting a quorum is

not yet present within half an hour from the time appointed for the meeting, the member or members present shall constitute a quorum. Generally, the Chairman of the Board presides as Chairman at every general meeting of the Company. At the commencement of any general meeting, the Chairman may, subject to applicable law, set the procedure which shall be adopted for the proceedings of that meeting. Such procedure is binding on the members.

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

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

(i) the Chairman of the meeting; or

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

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

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

Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost together with an entry to that effect in the minute book, shall constitute conclusive evidence of the fact without need for further proof. If a resolution requires a particular majority in value, in order for the resolution to pass by a show of hands, there must be present at that meeting a member or members holding in the aggregate at least the required majority. A poll demanded on the election of the Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at the discretion of the Chairman.

In the case of equality of votes, whether on a show of hands or on a poll, the chairman has a second or casting vote. On a show of hands every member present in person or by proxy shall have one vote for each equity security carrying voting rights of which he is the holder, provided that all calls or other sums presently payable by him in respect of equity securities have been paid.

PROXY

Every member is entitled to appoint one person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to participate in the general meeting as those to which the member thus represented would be entitled. If a member is holding shares for and on behalf of third parties, such member shall be entitled to grant a proxy to each of his clients or to any third party designated by a client and the said member is entitled to cast votes attaching to some of the shares differently from the others. In the case of voting by a show of hands, a proxy who has been mandated by several members and instructed to vote by some shareholders in favour of a resolution and by others against the same resolution shall have one vote for and one vote against the resolution. The instrument appointing a proxy must be deposited at the office or by electronic mail at the address specified in the notice convening the meeting not less than forty-eight (48) hours before the time for holding the meeting or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll. The same applies to the revocation of the appointment of a proxy.

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

INCLUDING ITEMS ON THE AGENDA

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

QUESTIONS

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

ELECTRONIC VOTING

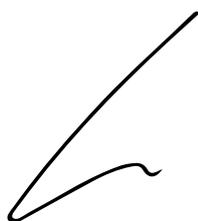
In terms of the Articles of Association of the Company, the directors may establish systems to:

- a) allow persons entitled to attend and vote at general meetings of the Company to do so by electronic means in accordance with the relevant provisions of the Listing Rules; and
- b) allow for votes on a resolution on a poll to be cast in advance.

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

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

Signed on behalf
of the Board of
Directors on 29
May 2020 by:



Joseph FX Zahra
Director and Member of Audit
Committee

01

**Remuneration
Committee**

The Remuneration Committee oversees the development and implementation of the remuneration and related policies of the Medserv group of companies.

During the year under review, the Committee was composed of Mr Joseph Zammit Tabona (Chairman), Mr Joseph FX Zahra and Dr Laragh Cassar, all of whom are non-executive

directors. Mr Joseph FX Zahra and Mr Joseph Zammit Tabona are considered to be independent directors.

During 2019, the Remuneration Committee met once to discuss and set the salaries and bonuses for senior management. All members were present.

02

**Remuneration
Policies**2.1
Directors

The Board is composed of Executive and Non-Executive Directors. The Board determines the framework of the remuneration policy for the members of the Board as a whole, based on the recommendations from the Remuneration Committee. The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting. The 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.

Directors' emoluments are designed to reflect the directors' knowledge of the business and time committed as directors to the Company's affairs. It is confirmed that none of the Directors in their capacity as Directors of the Company are entitled to profit sharing, share options, pension benefits, variable remuneration or any other remuneration or related payments from the Company.

In accordance with the recently introduced Listing rules 12.26A, the Company is required to establish a 'remuneration policy as regards directors' and to grant the right to shareholders to vote on the remuneration policy at the Annual General Meeting (AGM). The amendments to the Listing Rules also require the Company to draw up a remuneration report in accordance with the 'remuneration policy as regards directors' and with the criteria in Appendix 12.1 'Information to be provided in the Remuneration Report' of the said Listing Rules. As a result, the Company will be requesting a vote in respect of the 'remuneration policy as regards directors' at the forthcoming AGM. Subsequent to this the Company will update the remuneration report to ensure conformity with the new requirements within the Listing Rules.

Remuneration Policies

2.2 Senior Executives

The Board determines the framework of the overall remuneration policy and individual remuneration arrangements for its senior executives based on the recommendations from the Remuneration Committee. The Committee considers that these remuneration packages, 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 payment of a variable remuneration has become increasingly important in attracting and maintaining quality staff. During the current year under review, there have been no significant changes in the Company's remuneration policy and no significant changes are intended to be effected thereto in the year ahead.

The terms and conditions of employment of each individual within the executive team are set out in their respective contracts of employment with the Company. The vast majority

of the contracts of employment are made on an indefinite basis however there are a number of such contracts entered into on a definite fixed term basis due to the nature of the job in question. The Company's senior executives 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 executives 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 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. Specific criteria for determining the extent of senior executive's entitlement to a bonus will be formulated by the Remuneration Committee in due course.

03

2019
Remuneration3.1
2019 Directors
Remuneration

During the year, Directors received fees, in their capacity solely as directors, as follows:

Anthony S. Diacono	€18,000
Anthony J. Duncan	€18,000
Joseph FX Zahra	€18,000
Joseph Zammit Tabona	€18,000
Laragh Cassar	€18,000
Godwin Borg (resigned on 2 nd July 2019)	€9,000
TOTAL	*€99,000

* This amount is within the limit of €450,000 approved by the Annual General Meeting of 15 May 2014

2019
Remuneration3.2
2019 Senior
Executives
Remuneration

The total emoluments received by senior executives of the Group for the year 2019 amount to €1,558,886.



Joseph Zammit Tabona
Chairman, Remuneration Committee
29 May 2020



02

Financial
Statements

Statements of Financial Position

As at 31 December 2019

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
ASSETS					
Property, plant and equipment	13	31,472,005	33,200,767	-	-
Intangible assets and goodwill	16	11,751,165	13,162,169	-	-
Contract costs	6	368,245	636,158	-	-
Investments in subsidiaries	14	-	-	20,227,905	13,418,743
Equity-accounted investees	15	300	-	300	-
Loans receivable from subsidiaries	19	-	-	43,550,676	49,262,955
Right-of-use assets	29	75,847,997	78,335,057	-	-
Deferred tax assets	17	8,303,235	9,418,544	-	-
TOTAL NON-CURRENT ASSETS		127,742,947	134,752,695	63,778,881	62,681,698
Inventories	18	1,382,852	1,274,704	-	-
Current tax assets		106,952	755	-	755
Trade and other receivables	19	17,783,902	14,730,612	26,257	12,049,301
Contract costs	6	318,080	334,299	-	-
Contract assets		1,607,674	67,775	-	-
Cash at bank and in hand	27	5,742,979	5,616,232	14,225	15,916
TOTAL CURRENT ASSETS		26,942,439	22,024,377	40,482	12,065,972
TOTAL ASSETS		154,685,386	156,777,072	63,819,363	74,747,670

Statements of Financial Position (contd)

As at 31 December 2019

	Note	THE GROUP		THE COMPANY	
		2019 €	2018 €	2019 €	2018 €
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	(12,438,608)	(8,215,519)	(4,457,372)	(695,423)
Other reserves	20	9,828,570	10,186,890	-	-
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		14,768,232	19,349,641	12,920,898	16,682,847
Non-controlling interests		(680,015)	(652,926)	-	-
TOTAL EQUITY		14,088,217	18,696,715	12,920,898	16,682,847
LIABILITIES					
Loans and borrowings	23	52,792,390	54,028,322	50,343,740	50,053,057
Employee benefits	25	959,789	819,163	-	-
Deferred income	22	31,071,722	31,851,634	-	-
Lease liabilities	29	29,171,115	28,682,854	-	-
Trade and other payables	26	1,859,910	-	-	-
Deferred tax liabilities	17	6,222,821	6,485,536	-	-
TOTAL NON-CURRENT LIABILITIES		122,077,747	121,867,509	50,343,740	50,053,057

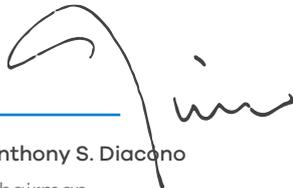
Statements of Financial Position (contd)

As at 31 December 2019

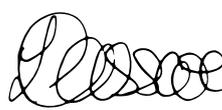
	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
Bank overdraft	23/27	5,117,977	3,209,219	-	-
Employee benefits	25	15,915	-	-	-
Loans and borrowings	23	2,145,528	2,075,411	-	-
Trade and other payables	26	9,078,996	8,145,393	554,226	8,011,766
Current tax liabilities		11,682	37,176	499	-
Deferred income	22	775,533	875,533	-	-
Lease liabilities	29	1,373,791	1,825,925	-	-
Provisions	24	-	44,191	-	-
TOTAL CURRENT LIABILITIES		18,519,422	16,212,848	554,725	8,011,766
TOTAL LIABILITIES		140,597,169	138,080,357	50,898,465	58,064,823
TOTAL EQUITY AND LIABILITIES		154,685,386	156,777,072	63,819,363	74,747,670

The notes on pages 60 to 158 are an integral part of these financial statements.

The financial statements on pages 50 to 158 were approved and authorised for issue by the Board of Directors on 29 May 2020 and signed on its behalf by:



Anthony S. Diacono
Chairman



Dr. Laragh Cassar
Director

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
CONTINUING OPERATIONS					
Revenue	6	68,729,751	36,187,199	-	-
Cost of sales	8	(59,391,709)	(33,639,893)	-	-
GROSS PROFIT		9,338,042	2,547,306	-	-
Other income	7	1,375,505	2,049,613	-	-
Administrative expenses	8	(7,512,526)	(6,067,853)	(3,787,218)	(363,773)
Reversal of/(impairment loss) on financial assets	28	(69,452)	(122,645)	-	69,454
Other expenses	7	(43,525)	(1,867,867)	-	-
RESULTS FROM OPERATING ACTIVITIES		3,088,044	(3,461,446)	(3,787,218)	(294,319)
Finance income	10	51,075	9	3,155,218	3,275,220
Finance costs	10	(5,692,506)	(5,369,907)	(3,129,802)	(3,103,843)
NET FINANCE (COSTS)/INCOME	10	(5,641,431)	(5,369,898)	25,416	171,377
LOSS BEFORE INCOME TAX		(2,553,387)	(8,831,344)	(3,761,802)	(122,942)
Tax expense	11	(807,596)	(695,550)	(147)	(147)
LOSS FROM CONTINUING OPERATIONS		(3,360,983)	(9,526,894)	(3,761,949)	(123,089)
DISCONTINUED OPERATIONS					
Profit from discontinued operations, net of tax		27,719	-	-	-
LOSS FOR THE YEAR		(3,333,264)	(9,526,894)	(3,761,949)	(123,089)

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

For the year ended 31 December 2019

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss:					
Net loss on hedge of net investment in a foreign operation	20	(160,278)	(487,867)	-	-
Foreign currency translation differences – foreign operations	20	82,311	1,187,253	-	-
OTHER COMPREHENSIVE INCOME		(77,967)	699,386	-	-
TOTAL COMPREHENSIVE INCOME		(3,411,231)	(8,827,508)	(3,761,949)	(123,089)
LOSS ATTRIBUTABLE TO:					
Owners of the Company		(2,924,594)	(9,043,058)	(3,761,949)	(123,089)
Non-controlling interests		(408,670)	(483,836)	-	-
		(3,333,264)	(9,526,894)	(3,761,949)	(123,089)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		(2,977,156)	(8,317,828)	(3,761,949)	(123,089)
Non-controlling interests		(434,075)	(509,680)	-	-
		(3,411,231)	(8,827,508)	(3,761,949)	(123,089)
EARNINGS PER SHARE					
Basic earnings per share	21	(5c4)	(16c8)	(7c0)	(0c2)
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	12	12,718,683	7,318,591	-	-

The notes on pages 60 to 158 are an integral part of these financial statements.

Statement of Changes in Equity – The Group

For the year ended 31 December 2019

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Share capital	Share premium	Translation reserve	Revaluation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2018 as previously reported	5,374,441	12,003,829	(1,656,630)	11,022,539	354,734	1,151,793	28,250,706	(151,958)	28,098,748
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	-	(583,237)	(583,237)	-	(583,237)
Adjusted balance at 1 January 2018	5,374,441	12,003,829	(1,656,630)	11,022,539	354,734	568,556	27,667,469	(151,958)	27,515,511
TOTAL COMPREHENSIVE INCOME									
Loss	-	-	-	-	-	(9,043,058)	(9,043,058)	(483,836)	(9,526,894)
Other comprehensive income	-	-	1,213,097	-	(487,867)	-	725,230	(25,844)	699,386
TOTAL COMPREHENSIVE INCOME	-	-	1,213,097	-	(487,867)	(9,043,058)	(8,317,828)	(509,680)	(8,827,508)
TRANSACTIONS WITH OWNERS OF THE COMPANY CHANGE IN OWNERSHIP INTEREST									
Transfers between reserves	-	-	-	(258,983)	-	(258,983)	-	-	-
Dilution of non-controlling interest without a change in control	-	-	-	-	-	-	-	8,712	8,712
BALANCE AT 31 DECEMBER 2018	5,374,441	12,003,829	(443,533)	10,763,556	(133,133)	(8,215,519)	19,349,641	(652,926)	18,696,715

Statement of Changes in Equity – The Group

For the year ended 31 December 2019

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Share capital	Share premium	Translation reserve	Revaluation reserve	Hedging reserve	Retained earnings	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	(1197,267)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY									
	-	-	(46,775)	(258,983)	-	(1,298,495)	(1,604,253)	406,986	(1197,267)
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

The notes on pages 60 to 158 are an integral part of these financial statements.

Statement of Changes in Equity – The Company

For the year ended 31 December 2019

	Share capital	Share premium	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2018	5,374,441	12,003,829	(465,330)	16,912,940
Adjustment on initial application of IFRS 9, net of tax	-	-	(107,000)	(107,000)
ADJUSTED BALANCE AT 1 JANUARY 2018	5,374,441	12,003,829	(572,330)	16,805,940
Total comprehensive income Loss	-	-	(123,093)	(123,093)
BALANCE AT 31 DECEMBER 2018	5,374,441	12,003,829	(695,423)	16,682,847
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

The notes on pages 60 to 158 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2019

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
Note	€	€	€	€
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	(3,333,264)	(9,526,894)	(3,761,949)	(123,089)
ADJUSTMENTS FOR:				
Depreciation	7,839,572	7,874,498	-	-
Reversal of deferred income	(884,219)	(875,533)	-	-
Loss/(gain) on lease modification	43,525	(342,131)	-	-
Amortisation of intangible assets	1,472,987	1,472,987	-	-
Amortisation of signing bonus	318,080	450,613	-	-
Impairment losses on trade receivables, contract assets and related party receivables	69,452	122,245	-	(69,454)
Impairment losses on property, plant and machinery	-	1,598,906	-	-
Tax expense	807,596	695,550	147	147
Exchange differences	(332,799)	154,896	-	-
Provision for discounted future gratuity payments	15,915	1,716	-	-
Loss/(gain) on disposal of property, plant and equipment	(23,117)	268,961	-	-
Net finance costs/(income)	5,641,431	5,369,907	(25,416)	(171,377)
Reversal of provision	(39,078)	-	613,169	-
Impairment loss on amounts owed by subsidiaries	-	-	2,614,966	-
(Reversal of)/impairment losses on investments in subsidiaries	-	-	-	(11,647)
	11,596,081	7,265,916	(559,083)	(375,420)
Change in inventories	(108,148)	(26,760)	-	-
Change in trade and other receivables	(3,053,290)	(504,768)	-	-
Change in trade and other payables	933,402	2,481,527	(89,626)	94,201
Change in related party balances	-	-	831,225	31,397
Change in provisions and employee benefits	(112,350)	(486,471)	-	-
CASH GENERATED FROM/ (ABSORBED BY) OPERATING ACTIVITIES	9,255,695	8,729,444	182,516	(249,822)

Statement of Cash Flows (contd)

For the year ended 31 December 2019

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
Bank interest paid		795,807	146,947	-	-
Bank interest received		1,457	1,946	-	-
Tax paid		1,107	(39,271)	1,107	1,810
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		10,054,066	8,839,066	183,623	(248,012)
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to subsidiaries		-	-	-	(300,000)
Receipts from disposal of property, plant and equipment		(236,218)	327,108	-	-
Acquisition of property, plant and equipment		(1,459,712)	(6,883,846)	-	-
Investment in associate		(300)	-	(300)	-
Bank interest received		6,217	9	21	9
Interest received from subsidiaries		-	-	2,465,988	2,485,503
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(1,690,013)	(6,556,729)	2,465,709	2,185,512
CASH FLOWS FROM FINANCING ACTIVITIES					
Loan advanced by bank		-	5,101,502	-	-
Repayments of bank loans		(2,253,039)	(1,463,019)	-	-
Interest paid on bank loans		(795,807)	(146,948)	-	-
Interest paid on notes		(2,651,023)	(2,650,626)	(2,651,023)	(2,626,493)
Payment of lease liabilities		(4,136,489)	(3,187,177)	-	-
NET CASH USED IN FINANCING ACTIVITIES		(9,836,358)	(2,346,268)	(2,651,023)	(2,626,493)
NET DECREASE IN CASH AND CASH EQUIVALENTS					
		(1,472,305)	(63,931)	(1,691)	(688,993)
Cash and cash equivalents at 1 January		2,407,013	2,768,680	15,916	704,909
Effect of exchange rate fluctuations on cash held		(282,812)	(297,736)	-	-
ECL allowance on cash at bank	28.4	(26,894)	-	-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	625,002	2,407,013	14,225	15,916

The notes on pages 60 to 158 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31
December 2019

01

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 2019 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.

02

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.

02

Basis of Preparation (Contd)

Going Concern

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

Although the Group sustained a loss after tax sustained for the year amounting to €3.3 million (2018: €9.5 million), it reported a positive adjusted EBITDA (note 12) of €12.7 million (2018: €7.3 million) and generated operating cash inflows of €10.1 million (2018: €8.8 million). The Group's net asset value amounted to €14.1 million (2018: €18.7 million) and it had positive working capital amounting to €8,423,220.

The Company, which primarily acts as a funding vehicle for the Group, sustained a loss for the year amounting to €3.8 million (2018: €123k), had a net asset value of €13 million and had a negative working capital of EUR 514,243 (2018: €4,054,206).

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

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

The scale and duration of the COVID-19 pandemic and its impact on the Group remains uncertain; however, this is expected to negatively impact the Group entities' earnings and cash flows until the situation returns to normal. Additionally, these developments could also have an impact on the Company, as the latter, having no operating revenue, depends on cash inflows from the Group.

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

02

Basis of Preparation (Contd)

- 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;
- Immediate measures are being adopted across the Group to reduce costs. The Company has taken action to adapt its cost base through lower operating costs. This considering that a significant element of the Group's cost base relates to wages and salaries;
- The Group is, since May 2020, availing itself from a six-month moratorium on its bank loans. Additionally, the Group renegotiated favourable terms with a number of its major suppliers. In the meantime, the Group has stepped up its credit management actions to shore up liquidity;
- The Group's ability to continue as a going concern is also dependent on management's ability to identify additional sources of financing sufficient to fund ongoing operating expenses and commitments. As at the date of authorisation for issue of these financial statements, the Group's cash reserves, unutilised bank overdraft facilities and undrawn bank loans totalled to approximately €7.9 million. There are no restrictions on the ability of the parent entity to move cash around the Group.

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

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

2.2 / BASIS OF MEASUREMENT

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

2.3 / FUNCTIONAL AND PRESENTATION CURRENCY

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

02

Basis of Preparation (Contd)

2.4 / 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 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 13 and 29

Impairment test of property, plant and equipment and right-of-use assets of Company's subsidiaries (i) Middle East Tubular Services Limited, (ii) Middle East Tubular Services L.L.C. (FZO) and (iii) Middle East Tubular Services (Iraq) Limited: key assumptions underlying recoverable amounts;

Note 14 and 19

Impairment test of investments in and loans receivable from Medserv M.E. Limited and Medserv Eastern Mediterranean Limited: 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

03

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.

03

Significant
accounting
policies
(Contd)**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.

3.2 / FOREIGN CURRENCY**3.2.1 / Foreign currency transactions**

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the

- ▶ functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

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

- financial liabilities denominated in USD and designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see note 3.2.4); and
- qualifying cash flow hedges to the extent the hedges are effective (see note 3.3.5).

3.2.2 / Foreign operations

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

Foreign currency differences are recognised in OCI and presented within equity in the translation reserve, 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, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.



03

Significant
accounting
policies
(Contd)**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 is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

3.2.5 / Foreign currency gains and losses

Foreign currency gains and losses relating to operating activities 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.

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:

- 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;

03

Significant accounting policies (Contd)

- 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.
- 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. 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.

3.3.2.3 / 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;

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.



03

Significant
accounting
policies
(Contd)**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

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

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

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

	2019	2018
	Years	Years
buildings and base improvements	3 – 42	3 – 42
furniture and fittings	10	10
office and computer equipment	5	5
plant and equipment	6 – 15	8
motor vehicles	4	4
cargo carrying units	10	10
photovoltaic farm	20	20

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. See note 13.6.

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.

3.6.3 / 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.

03

Significant
accounting
policies
(Contd)**3.6.3 Amortisation (continued)**

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.

3.7.1 / 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.

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.

03

Significant
accounting
policies
(Contd)

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.

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.

3.9.1.4 / 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.



03

Significant accounting policies (Contd)

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. 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 either by the employer or by the employee. The Group's net obligation in respect of this defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, and discounting that amount. The calculation of the liability is performed annually at each reporting date using the projected unit credit method. Re-measurement of the liability, which comprise actuarial gains and losses, are recognised immediately in OCI.

The Group determines the interest expense on the liability for the period by applying the discount rate used to measure the obligation at the beginning of the annual period to the then-net liability, taking into account any changes in the liability during the period as a result of payments. Interest expense is recognised in profit or loss. The Group recognises gains and losses on the settlement of a liability when the settlement occurs.

3.12 / 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 Operating Segments.

The Group is engaged in providing services and support to the offshore oil and gas industry and OCTG services to the onshore oil and gas market and as such is involved in providing support services that span over a term. Services and support provided to the offshore oil and gas industry consists of integrated offshore logistics, engineering support services, mixing and storage of drilling fluids and waste management services. OCTG services to the onshore oil and gas market consists of handling and storage, inspection and machine shop services and other ancillary services. In this regard revenue is recognised and measured as follows.

03

Significant
accounting
policies
(Contd)**3.13.1.1 / Integrated Logistics Support Services (ILSS)****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 our clients' logistics and materials management activities. Logistics support services include provision of equipment, personnel, warehousing, quays and land in a certified facility aimed at supporting offshore oil and gas drilling activities.

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

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

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

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.

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

Supply of goods

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

Delivery occurs when the goods have been shipped to the specific location or loaded onto the client's vessel, the risks and rewards have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Generally, for such goods, the customer has no right of return. Therefore, revenue from supply of goods is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before payment is due.

3.13.1.2 / Oil country tubular goods (OCTG)**Storage and handling**

Storage and handling services have been identified as distinct on the basis that the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

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

Inspection

Inspection services have been identified as distinct on the basis that the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

As the Group's performance creates or enhances an asset that the customer controls as the asset is created, and this is a routine or recurring service, revenue is thus recognised over time.

Repairs of pipes

Each of the service provided in this operating segment has been identified as distinct on the basis that the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and

- the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

As the Group's performance creates or enhances an asset that the customer controls as the asset is created, and this is a routine or recurring service, revenue is thus recognised over time.

3.13.1.3 / Photovoltaic income

Supply of electricity

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

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

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

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

03

Significant
accounting
policies
(Contd)

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.

3.15 / GOVERNMENT GRANTS

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

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

3.16 / 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.

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.

03

Significant accounting policies (Contd)

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.

04

Standards issued but not yet effective

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

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

05

Operating Segments

The Group has three reportable segments, as described below, which represent the Group's strategic divisions. These divisions offer different products and services, and are managed separately because they require different resources and

marketing strategies. For each of the strategic divisions, the Board of Directors, which is the chief operating decision maker, reviews internal management reports on a monthly basis.

- ▶ The 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.



05 Operating segments (Contd)

5.2 / INFORMATION ABOUT REPORTABLE SEGMENTS

	Integrated logistics support services		Oil country tubular goods		Photovoltaic farm		Total
	2019	2018	2019	2018	2019	2018	
	€	€	€	€	€	€	€
External revenue	52,197,831	21,470,012	16,047,195	14,216,490	484,725	500,697	36,187,199
Inter-segment revenue	-	-	947,866	-	-	-	947,866
SEGMENT REVENUE	52,197,831	21,470,012	16,995,061	14,216,490	484,725	500,697	36,187,199
Net finance costs	(3,968,159)	(2,999,205)	(1,269,967)	(1,970,013)	(403,305)	(400,680)	(5,369,898)
Depreciation on property, plant and equipment	(1,753,089)	(2,458,751)	(1,271,607)	(1,502,894)	(208,112)	(208,112)	(4,169,757)
Depreciation on right-of-use assets	(3,279,601)	(2,474,525)	(1,327,163)	(1,037,558)	-	-	(3,512,083)
Amortisation	-	-	(1,472,987)	(1,472,987)	-	-	(1,472,987)
Other material non-cash items: - amortisation of signing bonus	-	-	(318,080)	(450,613)	-	-	(450,613)
- impairment losses on financial assets	(69,452)	(939,358)	-	(36,280)	-	-	(975,638)
- net impairment on property, plant and equipment*	-	-	-	(981,572)	-	-	(981,572)
Reportable segment loss before tax	(343,531)	(6,948,854)	(2,087,520)	(1,774,396)	(122,336)	(108,095)	(8,831,344)

05 Operating segments (Contd)

5.2 / INFORMATION ABOUT REPORTABLE SEGMENTS

	Integrated logistics support services			Oil country tubular goods			Photovoltaic farm			Total
	2019	2018	2019	2018	2019	2018	2019	2018	2018	
	€	€	€	€	€	€	€	€	€	€
Adjusted EBITDA	8,657,317	983,628	3,572,285	5,834,266	489,081	500,697	12,718,683	7,318,591		
Reportable segment assets	110,733,252	108,622,307	38,413,506	42,470,005	2,870,888	3,079,000	152,017,642	154,171,312		
Capital expenditure	595,452	6,345,266	864,260	538,580	-	-	1,459,712	6,883,846		
Reportable segment liabilities	113,528,781	104,476,048	20,748,143	27,326,394	6,320,245	6,277,915	140,597,169	138,080,357		
Operating net cash flows	5,561,317	5,430,252	4,549,112	2,908,197	(56,363)	500,617	10,054,066	8,839,066		
Investing net cash flows	(589,535)	(6,144,312)	(1,100,478)	(412,417)	-	-	(1,690,013)	(6,556,729)		
Financing net cash flows	(5,036,993)	(576,869)	(4,799,365)	(1,769,399)	-	-	(9,836,358)	(2,346,268)		

*Included in net impairment loss in the comparative year is an impairment loss of €1,227,392 on the carrying amount of the base improvements in the Middle East Tubular Services L.L.C. (FZC) ("METS Oman"), which loss has been recognised in 'other expenses' and an impairment loss of €371,514 determined in relation to the Iraq Machine Shop CGU relating to Middle East Tubular Services (Iraq) Limited ("METS Iraq"). The impairment loss is net of a reversal of a provision on legal and constructive obligations amounting to €617,478 relating to the reinstatement of the leased base of METS Oman (see note 13).

05

Operating
Segments

5.3 / RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2019	2018
	€	€
REVENUES		
Total revenues for reportable segments	69,677,617	36,187,199
Elimination of inter-segment revenue	(947,866)	-
CONSOLIDATED REVENUES	68,729,751	36,187,199
PROFIT OR LOSS		
Loss before tax for reportable segments	(2,553,387)	(8,831,344)
CONSOLIDATED LOSS BEFORE INCOME TAX	(2,553,387)	(8,831,344)
ASSETS		
Total assets for reportable segments	152,017,646	154,171,312
Unallocated amounts	2,667,740	2,605,760
CONSOLIDATED TOTAL ASSETS	154,685,386	156,777,072
LIABILITIES		
Total liabilities for reportable segments	140,597,169	138,080,357
CONSOLIDATED TOTAL LIABILITIES	140,597,169	138,080,357

5.4 / GEOGRAPHICAL INFORMATION

The ILSS segment is managed from Malta but operate base facilities and/or offices in Malta, Cyprus, Egypt, Suriname and Libya. The OCTG segment is managed from U.A.E. and operate base facilities in U.A.E., Southern Iraq and Sultanate of

Oman. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. Non-current assets exclude goodwill amounting to €2,667,740 (2018: €2,605,760).

05

Operating
Segments

5.4 / GEOGRAPHICAL INFORMATION (CONTD)

	REVENUES	NON-CURRENT ASSETS
	€	€
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
31 DECEMBER 2018		
Libya	8,301,683	415
Italy	3,108,120	-
Cyprus	5,789,067	8,088,495
Malta	1,228,513	85,225,454
Croatia	8,505	-
Middle East	14,216,491	38,832,571
Other countries	3,534,820	-
	36,187,199	132,146,935

Group revenues from transactions with three (2018: three) major external customers during the year amounted to approximately €45.5 million (2018: €22.1 million). Revenues are being analysed by country of incorporation of customers.

SITUATION IN LIBYA

Despite the political instability in Libya, the impact on the Group's operations in Libya remains minimal as the Group continues servicing normally the clients' operations offshore Libya, which are located 120 kilometers north of the Libyan coast.

06 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).

	INTEGRATED LOGISTICS SUPPORT SERVICES		OIL COUNTRY TUBULAR GOODS		PHOTOVOLTAIC FARM		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
	€	€	€	€	€	€	€	€
FOR THE YEAR ENDED 31 DECEMBER								
Malta	13,422,839	12,909,102	-	-	484,725	500,697	13,907,564	13,409,799
Middle East	-	-	16,047,195	14,216,490	-	-	16,047,195	14,216,490
Cyprus	4,932,492	5,789,067	-	-	-	-	4,932,492	5,789,067
Portugal	-	1,134,259	-	-	-	-	-	1,134,259
Egypt	3,339,317	1,637,584	-	-	-	-	3,339,317	1,637,584
South America	30,503,183	-	-	-	-	-	30,503,183	-
	52,197,831	21,470,012	16,047,195	14,216,490	484,725	500,697	68,729,751	36,187,199

06 Revenue

6.1 / DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD)

	INTEGRATED LOGISTICS SUPPORT SERVICES		OIL COUNTRY TUBULAR GOODS		PHOTOVOLTAIC FARM		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
FOR THE YEAR ENDED 31 DECEMBER	€	€	€	€	€	€	€	€
MAJOR SERVICE LINES								
Logistic support services	42,286,460	14,894,308	-	-	-	-	42,286,460	14,894,308
Supplies	4,191,897	2,691,729	-	-	-	-	4,191,987	2,691,729
Engineering services	1,611,950	1,202,674	-	-	-	-	1,611,950	1,202,674
Storage and handling	4,107,524	2,681,301	10,996,538	11,166,221	-	-	15,104,062	13,847,522
Inspection	-	-	1,110,391	1,499,359	-	-	1,110,391	1,499,359
Repairs of pipes	-	-	3,940,266	1,550,910	-	-	3,940,266	1,550,910
Supply of electricity	-	-	-	-	484,725	500,697	484,725	500,697
	52,197,831	21,470,012	16,047,195	14,216,490	484,725	500,697	68,729,751	36,187,199
TIMING OF REVENUE RECOGNITION								
Transferred over time	48,005,934	18,778,283	16,047,195	14,216,490	484,725	500,697	64,537,854	33,495,470
Point in time	4,191,897	2,691,729	-	-	-	-	4,191,897	2,691,729
	52,197,831	21,470,012	16,047,195	14,216,490	484,725	500,697	68,729,751	36,187,199

06

Revenue

6.2 / CONTRACT BALANCES

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

	31 DECEMBER 2019	31 DECEMBER 2018
	€	€
Receivables, which are included in 'trade and other receivables'	15,426,053	12,824,215
Contract assets	1,607,674	67,775

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 €636,160 (2018: €954,239) 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.

07

Other income
and expenses

7.1 / OTHER INCOME

THE GROUP			
		2019	2018
	Note	€	€
Exchange differences		332,799	154,896
Gain on disposal of property, plant and equipment	13	23,117	10,560
Government grants	22	4,381	104,380
Reversal of deferred income	22	884,219	775,533
Reversal of provision	13.7	39,078	617,478
Other income		91,911	24,799
Gain on lease modification		-	361,967
		1,375,505	2,049,613

7.2 / OTHER EXPENSES

THE GROUP			
		2019	2018
	Note	€	€
Loss on lease modification		43,525	-
Loss on disposal of property, plant and equipment	13	-	268,961
Impairment loss on property, plant and equipment	13.7	-	1,598,906
		43,525	1,867,867

08

Expenses by nature

8.1 /

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		€	€	€	€
Direct cost of services		38,117,707	15,530,583	-	-
Consumables	18	8,119	8,336	-	-
Employee benefits	9	12,299,417	8,558,513	-	-
Depreciation	13,29	7,839,572	7,874,498	-	-
Amortisation of intangible assets	16	1,472,987	1,472,987	-	-
Amortisation of signing bonus	6	318,080	450,613	-	-
Professional fees		1,857,123	1,266,799	402,654	277,416
Listing expenses		88,947	89,504	88,645	89,504
Travelling and telecommunications		641,265	693,804	3,312	2,300
Impairment loss on receivables from subsidiaries		-	-	3,228,135	-
(Reversal of) impairment losses on investments in subsidiaries		-	-	22,625	(11,647)
Repairs and maintenance		793,979	649,150	-	-
Insurance		733,241	644,703	-	-
Security services		309,088	345,956	-	-
Staff welfare		858,347	453,766	-	-
Other		1,566,363	1,668,534	41,847	6,200
TOTAL COST OF SALES AND ADMINISTRATIVE EXPENSES		66,904,235	39,707,746	3,787,218	363,773
Cost of sales		59,391,709	33,639,893	-	-
Administrative expenses		7,512,526	6,067,853	3,787,218	363,773
TOTAL COST OF SALES AND ADMINISTRATIVE EXPENSES		66,904,235	39,707,746	3,787,218	363,773

8.2 /

The total fees charged to the Group and the Company by the independent auditors during 2019 can be analysed as follows:

	THE GROUP	THE COMPANY
	€	€
Auditors' remuneration	326,712	75,520
Tax advisory services	28,107	2,449
Other non-audit services	324,811	9,617
	679,630	87,586

09

Personnel Expenses

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

	2019	2018
	€	€
DIRECTORS' EMOLUMENTS:		
Salaries	513,519	464,220
Fees	99,000	90,000
	612,519	554,220
Wages and salaries	11,111,264	7,451,959
Social security contributions	496,989	374,515
Termination benefit	-	139,306
Maternity fund	5,929	5,568
Other statutory contributions	72,716	32,945
	12,299,417	8,558,513

09

Personnel Expenses (Contd)

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

	2019	2018
	No.	No.
Operating	263	255
Management and administration	41	37
	304	292

The Company had no employees during current and comparative years.

10

Finance income and Finance costs

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€	€	€	€
Bank interest receivable	6,217	9	21	9
Interest receivable from subsidiaries	-	-	2,565,507	2,635,193
Unrealised exchange differences	-	-	589,690	640,018
Realised exchange differences	44,858	-	-	-
FINANCE INCOME	51,075	9	3,155,218	3,275,220
Interest payable on bank loans	(626,777)	(256,431)	-	-
Other bank interest payable	(169,030)	(85,016)	-	-
Interest payable to note holders	(2,781,430)	(2,750,415)	(2,781,430)	(2,750,415)
Finance cost on finance leases	(1,988,383)	(1,760,802)	-	-
Exchange differences	(126,886)	(517,243)	(348,372)	(353,428)
FINANCE COSTS	(5,692,506)	(5,369,907)	(3,129,802)	(3,103,843)
NET FINANCE (COSTS)/INCOME	(5,641,431)	(5,369,898)	25,416	171,377

11

Tax expense

11.1/ RECOGNISED IN THE INCOME STATEMENT

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€	€	€	€
CURRENT TAX EXPENSE				
Current year	(147)	(86,573)	(147)	(147)
	(147)	(86,573)	(147)	(147)
DEFERRED TAX MOVEMENT				
Movement in temporary differences	(852,595)	(608,977)	-	-
Reclassification related to prior year	45,146	-	-	-
	(807,449)	(608,977)	-	-
TOTAL TAX EXPENSE	(807,596)	(695,550)	(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:

11

Tax expense
(Contd)

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€	€	€	€
LOSS BEFORE TAX	(2,553,387)	(8,831,344)	(3,761,802)	(122,942)
Tax using the Company's domestic tax rate	893,685	3,090,970	1,316,631	43,031
Tax effect of: Investment tax credits (see note 17.3)	(402)	(958,574)	-	-
Disallowed expenses	(2,740,933)	(3,478,756)	(1,317,320)	(43,720)
Difference in tax rates applicable to Group	231,088	(132,717)	542	542
Exempt income	942,246	1,386,258	-	-
Adjustment to prior years' deferred tax asset	-	246,009	-	-
Deferred tax asset movement	(133,280)	-	-	-
Consolidation adjustments not subject to tax	-	(848,740)	-	-
TOTAL TAX EXPENSE	(807,596)	(695,550)	(147)	(147)

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, Portugal and Egypt are subject to the statutory local income tax of 12.5%, 21% 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 profit from continuing operations to exclude the impact of taxation, net finance costs,

depreciation, amortisation and net impairment losses 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		
		2019	2018
	Note	€	€
Loss from continuing operations		(3,360,983)	(9,526,894)
Income tax expense	11	807,596	695,550
LOSS BEFORE TAX		(2,553,387)	(8,831,344)
Adjustments for: Net finance costs	10	5,641,431	5,369,898
Depreciation	13, 29	7,839,572	7,874,864
Amortisation of intangible assets	16	1,472,987	1,472,988
Amortisation of signing bonus	5, 6	318,080	450,613
Net impairment losses on property, plant and equipment	13.7	-	981,572
ADJUSTED EBITDA		12,718,683	7,318,591

13

Property Plant
& Equipment
The Group

	TOTAL	BUILDINGS	BASE IMPROVEMENTS
	€	€	€
COST			
Balance at 01.01.18	51,586,133	11,461,979	8,939,447
Additions	6,884,199	-	513,567
Transfers	-	-	950,562
Disposals	(452,497)	-	-
Effect of movements in exchange rates	1,244,878	54,764	254,193
BALANCE AT 31.12.18	59,059,467	11,516,743	9,342,378
Balance at 01.01.19	57,524,379	11,516,743	9,220,188
Additions	1,459,712	893,690	14,215
Transfers	-	33,020	(33,020)
Disposals	(452,497)	-	-
Effect of movements in exchange rates	527,879	24,075	140,995
BALANCE AT 31.12.19	59,059,467	12,467,528	9,342,378
DEPRECIATION			
Balance at 01.01.18	19,702,688	2,138,451	4,154,729
Charge for the year	4,169,757	202,614	788,667
Impairment losses	1,598,905	-	1,227,853
Disposals	(1,594,762)	-	(1,191,436)
Effect of movements in exchange rates	447,018	29,298	125,840
BALANCE AT 31.12.18	24,323,606	2,370,363	5,105,653

13.1 /

PLANT AND EQUIPMENT	PHOTO-VOLTAIC FARM	CARGO CARRYING UNITS	FURNITURE AND FITTINGS	OFFICE AND COMPUTER EQUIPMENT	MOTOR VEHICLES	ASSETS NOT YET IN USE
€	€	€	€	€	€	€
19,386,625	4,016,258	3,479,429	1,212,100	805,374	1,229,142	1,055,779
6,040,186	-	-	69,573	38,995	178,185	43,693
(66,772)	-	-	-	-	-	(883,790)
(482,808)	-	-	(69,234)	(61,882)	(139,326)	-
819,648	-	-	8,532	8,080	49,420	50,241
25,696,879	4,016,258	3,479,429	1,220,971	790,567	1,317,421	265,923
25,696,879	4,016,258	3,479,429	1,220,971	790,567	1,317,421	265,923
346,764	-	-	125,810	65,313	13,920	-
45,525	-	-	-	-	-	(45,525)
(269,491)	-	-	-	(1,517)	(181,489)	-
331,535	-	-	3,898	3,726	18,215	5,429
26,151,212	4,016,258	3,479,429	1,350,679	858,089	1,168,067	225,827
9,388,801	729,140	1,137,614	553,857	635,501	964,595	-
2,264,065	208,112	347,436	104,220	104,309	150,334	-
371,052	-	-	-	-	-	-
(213,439)	-	-	(27,707)	(50,971)	(111,209)	-
254,526	-	-	5,643	5,899	25,812	-
12,065,005	937,252	1,485,050	636,013	694,738	1,029,532	-

13

**Property Plant
& Equipment**
The Group

	TOTAL	BUILDINGS	BASE IMPROVEMENTS
	€	€	€
DEPRECIATION (CONTINUED)			
Balance at 01.01.19	24,323,606	2,370,363	5,105,653
Charge for the year	3,232,808	470,141	230,243
Disposals	(193,163)	-	-
Effect of movements in exchange rates	224,211	13,504	107,800
BALANCE AT 31.12.19	27,587,462	2,854,008	5,443,784
CARRYING AMOUNTS			
At 1 January 2018	31,883,445	9,323,528	4,784,718
AT 31 DECEMBER 2018	33,200,773	9,146,380	4,114,535
AT 1 JANUARY 2019	33,200,773	9,146,380	4,114,535
AT 31 DECEMBER 2019	31,472,005	9,613,520	3,898,682

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.

13.4 / COMMITMENTS

As at year-end, the Group's contractual commitments amounted to €Nil (2018: €508,568).

13.5 / SECURITY

At 31 December 2019, the Group's emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to note 23.2) 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).

13.1 (CONTD) /

PLANT AND EQUIPMENT	PHOTO-VOLTAIC FARM	CARGO CARRYING UNITS	FURNITURE AND FITTINGS	OFFICE AND COMPUTER EQUIPMENT	MOTOR VEHICLES	ASSETS NOT YET IN USE
€	€	€	€	€	€	€
12,065,005	937,252	1,485,050	636,013	694,738	1,029,532	-
1,669,968	208,111	347,081	107,280	70,750	129,234	-
(18,180)	-	-	-	(589)	(174,394)	-
112,191	-	-	(12,902)	3,099	519	-
13,828,984	1,145,363	1,832,131	730,391	767,998	984,891	-
9,997,824	3,287,118	2,341,815	658,243	169,873	264,547	1,055,779
13,631,174	3,079,006	1,994,379	584,958	95,829	287,889	265,923
13,631,874	3,079,006	1,994,379	584,958	95,829	287,889	265,923
12,322,228	2,870,895	1,647,298	620,288	90,091	183,176	225,827

13.6 / CHANGE IN ESTIMATES

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

standards in place. On the other hand, the useful life of the heavy machinery in Egypt was revised down to six years from eight years in line with the contractual obligation to use modern equipment.

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

	2019	2020	2021	2022	2023	Later
	€	€	€	€	€	€
(Decrease)/increase in depreciation expense	(696,112)	(696,112)	(681,608)	(672,377)	(672,377)	530,282

13

Property Plant & Equipment The Group (Contd)

13.7 / IMPAIRMENT ASSESSMENTS

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 L.L.C. (FZC) ("METS Sohar") and (iii) Middle East Tubular Services (Iraq) Limited ("METS Iraq") and in consideration of the following risks:

- the global and regional political and economic risks;
- 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.

Other than the right-of-use assets of METS Sohar (see note 29), which were tested separately for impairment, the Group tested for impairment the property, plant and equipment and right-of-use assets (see note 29) of METS UAE and METS Iraq as part of the related Cash-Generating Unit (CGU) of which they form part.

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

- METS UAE – €2,116,269
- METS Sohar - €15,777
- METS Iraq - €3,966,923

These assets and related CGUs form part of the METS sub-group and OCTG CGU which was also tested for impairment in view of the yearly impairment testing for Goodwill (refer to note 16.3).

The recoverable amount of these assets or related CGUs as at 31 December 2019 were determined with reference to their value-in-use, by discounting the future cash flows to be generated from their continuing use. The cash flow projections included specific estimates for the first five-year and extrapolation at a terminal growth rate thereafter (as applicable). The cash flow projections in the prior period considered specific estimates for the years 2019 to 2023. EBITDA margins included in the projections were based on management's expectations of market developments and future outcomes, taking into account past performance, adjusted for anticipated revenue growth. No impairment loss has been determined for the tested assets and related CGUs.

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, which loss has been recognised in 'other expenses' in the comparative year. Included in 'other income' in 2018 is a reversal of a provision on legal and constructive obligations amounting to €617,478, which consisted of a minimum increment rate of 2% per annum over the future operating lease payments of the above-mentioned lease in Sohar (see note 7.1).

In 2018, an impairment loss of €371,514 was determined in relation to the Iraq Machine Shop CGU having a carrying amount of €3,631,663 and a recoverable amount of €3,260,149. The impairment loss was allocated in full to 'plant and machinery' within the property, plant and equipment schedule. This CGU provides handling, inspection and machine shop services to the OCTG market from its base in the Khor Al Zubair Freezone in Basra located in South Iraq.

The key assumptions used in the estimation of value-in-use calculation of the Iraq Machine Shop CGU were as follows:

	2018
	%
Pre-tax discount rate	26.60

The values assigned to the key assumptions represent management's assessment of future trends in the industry. The key assumptions are based on both external sources and internal sources (historical data). The projected annual revenue growth rate is based on the assumption that there is a significant increase in oil activity in the region.

14

Investments
in Subsidiaries

14.1/

	TOTAL €	CAPITAL SUBSCRIBED €	LOANS RECEIVABLE €
At 1 January 2018	13,407,096	332,686	13,074,410
Reversal of Impairment loss	11,647	11,647	-
AT 31 DECEMBER 2018	13,418,743	344,333	13,074,410
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

14.2/

During the year, intercompany balances between the subsidiaries amounting to €9,424,128 were assigned in full to the Company and together with the other amounts due from subsidiaries to the Company, which in total amounted

to €10,037,297, were capitalized and treated as part of the subsidiaries' equity by way of support to the subsidiaries (see note 19.1). The loans receivable from the subsidiaries as at 31 December 2019 are unsecured and interest free.

14

Investments
in Subsidiaries
(Contd)

14.3 / LIST OF SUBSIDIARIES AND SUB-SUBSIDIARIES

SUBSIDIARIES	REGISTERED OFFICE	OWNERSHIP	INTEREST	NATURE OF BUSINESS	PAID UP
		2019	2018		
		%	%		%
Medserv International Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	25
InMedco Limited (formerly Medserv Italy Limited - see note 15.1)	Port of Marsaxlokk Birzebbugia Malta	50.00	99.99	Holding company	20
Medserv Eastern Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	20
Medserv Western Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	20
Medserv Libya Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Logistical support and other services	20
Medserv M.E. Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Holding company	100
Medserv Operations Limited	Port of Marsaxlokk Birzebbugia Malta	99.99	99.99	Logistical support and other services	100
SUB-SUBSIDIARIES					
Medserv (Cyprus) Limited	Karaiskakis Street Limassol Cyprus	80.00	80.00	Logistical support and other services	100
MDS Energy Portugal Unipessoal Lda	Ave D Joao II 46-4-A 1990-095 Lisbon Portugal	-	100.00	Logistical support and other services	100
Medserv Energy TT Limited	18, Scott Bushe Street Port of Spain Trinidad & Tobago, W.I.	100.00	100.00	Logistical support and other services	100

14

Investments in Subsidiaries (Contd)

14.3 / LIST OF SUBSIDIARIES AND SUB-SUBSIDIARIES (CONTD)

SUBSIDIARIES	REGISTERED OFFICE	OWNERSHIP 2018	INTEREST 2017	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 L.L.C. (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	90.00	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

During the year, MDS Energy Portugal Unipessoal Lda was placed under voluntarily liquidation and struck off.

14

Investments
in Subsidiaries
(Contd)**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") 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;
- 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 M.E. and MEM at reporting date stood at €1,336,667 (2018: €1,200) and €3,906,057 (2018: €240), 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 cash flows 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 recoverable amount of Medserv ME exceeded the carrying amount of the investment and thus no impairment loss was recognised.

The estimated recoverable amount of the net investment in MEM at reporting date, was arrived at by reference to the value-in-use of the 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. The cash flows were based on past performance and the directors' expectations of market development. The cash flow projections included specific estimates for the five-year period 2020 to 2024 and were based on income projections from MEM's subsidiaries. EBITDA margins included in the projections were based on management's expectations of market developments and future outcomes, taking into account past performance, adjusted for anticipated revenue growth.

14

Investments in Subsidiaries (Contd)

An impairment loss of €2,614,966 was determined on the investment in MEM. The impairment loss is the mainly result of the expenses incurred by MEM on behalf of its subsidiaries and in view of increased finance cost on the bank loan obtained by the subsidiary in Egypt to finance the capital expenditure. The discount rate used in the estimation of value-in-use calculation of MEM is the range of 17% - 18%. The subsidiary in Egypt is still in its first years of operations and has incurred significant capital expenditure with the aim to achieve long-term growth. In the event that the subsidiary in Egypt secures a major contract with another IOC, this impairment could potentially reverse.

An impairment loss of €613,169 on the Company's investment in Medserv Libya Limited ("Medserv Libya") writing down the carrying amount of

the investment to €Nil as a result of the losses incurred due to its low business activities. The impairment loss consists of irrecoverable amounts due to the Company for expenses paid on its behalf which accumulated over a number of years.

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

14.5 / ACQUISITION OF NCI

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.

	2019 €
Carrying amount of NCI acquired	406,986
Consideration paid to NCI	1,197,267
A DECREASE IN EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,604,253

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.

15

Equity-
accounted
investees

	Note	2019 €	2018 €
Interest in joint venture	15.1	-	-
Interest in associates	15.2	300	-
BALANCE AT 31 DECEMBER		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 joint venture was previously a wholly-owned subsidiary of the Company formerly known as Medserv Italy Limited. The jointly-controlled entity has not carried out any business activities during the year to 31 December 2019.

Summary of financial information for the jointly-controlled entity as at 31 December 2019 is as follows:

	2019 €
Current assets	1,970
Current liabilities	(78,514)
NET LIABILITIES	(76,544)
COMPANY'S SHARE OF NET LIABILITIES (50%)	(38,272)
Income	44,666
Expenses	(79,058)
LOSS FOR THE PERIOD	(34,392)
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

Equity- accounted investees (Contd)

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 2019 is as follows:

	2019
	€
Current assets	1,200
Current liabilities	-
NET ASSETS	1,200
COMPANY'S SHARE OF NET ASSETS (25%)	-

16

Intangible
assets and
goodwill

16.1/RECONCILIATION OF CARRYING AMOUNT

	Note	TOTAL €	GOODWILL €	BRAND €	CUSTOMER RELATIONSHIPS €	LICENCES €
COST						
Balance at 1 January 2018		17,200,185	2,470,311	284,402	14,102,368	343,104
Effects of movements in exchange rates		135,449	135,449	-	-	-
BALANCE AT 31 DECEMBER 2018		17,335,634	2,605,760	284,402	14,102,368	343,104
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
AMORTISATION						
Balance at 1 January 2018		2,700,477	-	52,140	2,585,434	62,903
Amortisation for the year		1,472,988	-	28,440	1,410,237	34,311
BALANCE AT 31 DECEMBER 2018		4,173,465	-	80,580	3,995,671	97,214
Balance at 1 January 2019		4,173,465	-	80,580	3,995,671	97,214
Amortisation for the year		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
Carrying amounts At 31 December 2018		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

16

Intangible assets and goodwill (Contd)

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 6 years.

16.3 / IMPAIRMENT TESTING FOR GOODWILL

Goodwill arising from the acquisition of Middle East Tubular Services Limited ('the METS sub-group') is mainly attributable to the synergies expected to be achieved from combining the operations of the METS sub-group with the Group and the skills and technical talent of the METS sub-group's work force. The goodwill of €2,667,740 (2018: €2,605,760) 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, determined by discounting the future cash flows to be generated from the continuing use of the 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;
- 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.

The recoverable amount of the group of CGUs exceeded its carrying amount and thus no impairment loss was recognised.

The discount rates were a pre-tax measure based on the CGU-specific weighted-average cost of capital and reflect specific risks and conditions related to the cash flows which are not already reflected in the cash flow projection, including currency and country risks. The cash flow projections for projects-related CGUs considered specific estimates for the next, or first expected, full year of operation, extrapolated to the expected duration of the projects using a steady growth rate. The other CGUs' cash flow projections included specific estimates for five years and a steady terminal growth rate thereafter.

Up to 2018, expectations about possible variations in the amount or timing of future cash were principally reflected as risk-adjustments in the discount rate, in line with the 'traditional' approach of projecting cash flows at their most likely level. In 2019, the 'expected cash flow' approach was adopted instead, whereby expectations about possible variations in the amount or timing of future cash are principally reflected in the cash flow by focusing on direct analysis of the cash flows in question and on more explicit statements of the assumptions used in the measurement. The interest rates used to discount the expected cash flows are risk-adjusted, but only for residual risks i.e. those risks for which the estimated cash flows have not been adjusted. This change in approach is expected to be a more effective measurement tool in reflecting the possible variations in the amount or timing of future cash

flows. In view of this change, the key assumptions used in 2019 are not directly comparable to those used in 2018

Revenue growth was projected taking into account estimates of sales volumes and price growth for the next five years, including probability-weighted expectations for large accounts and uncontracted business. 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.

Terminal value growth rate was determined based on management's estimate of the forecast inflation rate in the region, consistent with external sources of information.

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

	2019	2018
	%	%
Discount rates, range (weighted average over next 5Y cash flows)	14.80 – 21.6 (16.5)	13.0 – 26.6 (20.6)
EBITDA margin, overall average over next 5 years	39.6	44.1
Extrapolation growth rate (projects-related CGUs)	0.0	0.0
Annual revenue growth rate (all other CGUs in total), average over next 5Y	17.3	30.2
Terminal growth rate after 5Y (all other CGUs)	2.0	2.0

16

Intangible
assets and
goodwill
(Contd)**16.3 / IMPAIRMENT TESTING FOR
GOODWILL (CONTD)**

The estimated recoverable amount of the group of CGUs exceeded its carrying amount by approximately €3.8 million (2018: €8.7 million).

Management has identified that the following changes in two key assumptions could cause the carrying amount to exceed the recoverable amount. 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	
	2019	2018
	%	%
Discount rate	+ 2.3	+ 7.8
EBITDA margin	- 2.9	- 5.4

17

Deferred tax assets and liabilities

17.1 / DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING:

THE GROUP	ASSETS		LIABILITIES		NET	
	2019	2018	2019	2018	2019	2018
	€	€	€	€	€	€
Property, plant and equipment	-	-	(1,984,110)	(1,056,870)	1,984,110	(1,056,870)
Provision for discounted future gratuity payments	17,047	11,476	-	-	17,047	11,476
Provision for doubtful debts	381,933	335,024	-	-	381,933	335,024
Provision for exchange fluctuations	-	5,178	(13,790)	-	(13,790)	5,178
Investment tax credits	8,339,822	8,339,822	-	-	8,339,822	8,339,822
Unabsorbed capital allowances and unutilised tax losses	638,236	876,820	-	-	638,236	876,820
Lease liabilities	4,005,351	4,184,586	-	-	4,005,351	4,184,586
Right-of-use assets	-	-	(9,304,075)	(9,763,028)	(9,304,075)	(9,763,028)
TAX ASSETS/(LIABILITIES)	13,382,389	13,752,906	(11,301,975)	(10,819,898)	2,080,414	2,933,008
Set-off of tax	(5,079,154)	(4,334,362)	5,079,154	4,334,362	-	-
NET TAX ASSETS/(LIABILITIES)	8,303,235	9,418,544	(6,222,821)	(6,485,536)	2,080,414	2,933,008

17

Deferred tax
assets and
liabilities17.2 / MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR
- THE GROUP

	BALANCE 01.01.18 €	RECOGNISED IN PROFIT AND LOSS 2018 €	IFRS 9 ADJUSTMENT AT 01.01.18 €	BALANCE 31.12.18 €
Property, plant and equipment	(1,012,533)	(44,337)	-	(1,056,870)
Provision for discontinued future gratuity payments	10,936	540	-	11,476
Provision for doubtful debts	2,921	38,247	293,856	335,024
Provision for exchange fluctuations	5,712	(534)	-	5,178
Investment tax credits	9,298,639	(958,817)	-	8,339,822
Unutilised tax losses and unabsorbed capital allowance	768,954	107,866	-	876,820
Right-of-use assets	(9,362,572)	(400,456)	-	(9,763,028)
Lease liabilities	3,536,072	648,514	-	4,184,586
	3,248,129	(608,977)	293,856	2,933,008

	BALANCE 01.01.19 €	RECOGNISED IN PROFIT AND LOSS 2019 €	IFRS 9 ADJUSTMENT AT 01.01.19 €	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

17

Deferred tax assets and liabilities

17.3 / RECOGNITION OF DEFERRED TAX ASSET ON INVESTMENT TAX CREDITS

As at 31 December 2019, the Company's subsidiary, Medserv Operations Limited recognised a deferred tax asset of €8,339,822 (2018: €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%. During 2018, the Company was granted the

sum of €200,000 in settlement of unutilised investment tax credits awarded in relation to the Special Tax Credits (STCs) in terms of regulations 31 to 35 of the BPRs that are available to beneficiaries in terms of regulation 32 of the BPRs. This amount is payable in two equal instalments over 2 years. The first instalment was received in 2018 and the second instalment recognised in 2019 is being recognised in other income (see note 6). The investment tax credits are available in terms of regulation 5 of the BPRs and regulation 4 of the IARs.

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

17.4 / UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of:

- Investment tax credits amounting to €1.2million generated during the year available to Medserv Operations Limited, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom; and
- STCs amounting to €0.9million available to Medserv Operations Limited in view of limitations in the carry forward period.

18

Inventories

Inventories amounting to €1,382,852 (2018: €1,274,704) consisted of consumables used in the provision of maintenance and OCTG services.

In 2019, inventories of €841,721 (2018: €1,249,074) 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	2019 €	2018 €	2019 €	2018 €
Trade receivables		15,426,053	12,824,215	-	-
Amounts due by subsidiaries	19.2	-	-	18,925	12,049,301
Other receivables		1,587,926	1,152,162	-	-
Deferred Expenditure			-	7,332	-
Prepayments		769,923	754,235	-	-
TOTAL TRADE AND OTHER RECEIVABLES		17,783,902	14,730,612	26,257	12,049,301
Current		17,783,902	14,730,612	26,257	12,049,301
		17,783,902	14,730,612	26,257	12,049,301

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 14.1). 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

Trade and other
receivables
(Contd)

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.

19.5 / RECEIVABLES FROM SUBSIDIARIES

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

	THE COMPANY				
	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	2019 €	2018 €
Unsecured loan	EUR	6.00%	2023	-	3,424,959
Unsecured loan	EUR	6.00%	2022	1,135,270	3,683,704
Unsecured loan	EUR	4.50%	2026	941,270	941,270
Unsecured loan	EUR	4.50%	2026	21,355,258	21,318,220
Unsecured loan	USD	5.75%	2026	8,297,481	8,116,425
Unsecured loan	EUR	6.00%	2023	9,389,536	9,346,513
Unsecured loan	EUR	6.00%	2020	-	1,628,701
Unsecured loan	EUR	6.25%	2020	910,160	910,163
Unsecured loan	EUR	6.00%	2021	1,628,701	-
				43,657,676	49,369,955
Recognition of expected credit losses under IFRS 9				(107,000)	(107,000)
				43,550,676	49,262,955
Non-Current				43,550,676	49,262,955
				43,550,676	49,262,955

19

Trade and other receivables (Contd)

19.6 /

During the year, amounts due to subsidiaries amounting to €8,235,951 were set off against the receivables from subsidiaries (see note 26.2).

19.7 /

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 €39,042,275 (2018: €38,781,158) and €1,628,701 (2018: €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 value-in-use analysis prepared in estimating the recoverable amount of the related Company's investments as the recoverability of those receivables is supported by the same cash flows and subject to the same risks factors and key assumptions as those underlying the calculation of the recoverable amount of the related investments. The recoverable amounts of these loans exceed their carrying amounts at reporting date and therefore no credit losses have been determined. Refer to note 14.4.

20

Capital and reserves

20.1 / SHARE CAPITAL

	ORDINARY SHARES OF THE COMPANY	
	2019	2018
	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 (2018: 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

Capital and reserves

20.2 / SHARE PREMIUM

Share premium amounting to €12,003,829 (2018: €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 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 at the reporting date consisting of land held from emphyteutical grant (see note 29).

20.6 / AVAILABILITY OF RESERVES FOR DISTRIBUTION

	THE COMPANY	
	2019	2018
	€	€
Non-distributable	12,003,829	12,003,829

20.7 / 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 2019.

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	
	2019 €	2018 €	2019 €	2018 €
Loss for the year attributable to owners of the Company	(2,924,594)	(9,043,058)	(3,761,949)	(123,089)

WEIGHTED-AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	2019 €	2018 €
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 2019 amounted to a negative 5c4 (2018: negative earnings

per share of 16c8) and negative 7c (2018: negative earnings per share of 0c2) respectively.

22

Deferred
Income

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

This deferred income is being recognised in profit or loss over the remaining period of the emphyteutical grant. The amount recognised in profit or loss during 2019 was equal to €775,533 (2018: €775,533). Deferred income also includes an amount of €100,000 awarded in settlement of unutilised special tax credits and a government grant amounting to €50,381 (2018: €54,762) received in relation to the Group's investment in property, plant and equipment, amortised over the estimated useful life.

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	
	2019	2018	2019	2018
	€	€	€	€
NON-CURRENT LIABILITIES				
Secured bank loans	2,448,650	3,975,265	-	-
Secured notes	19,996,983	19,928,216	19,996,983	19,928,216
Unsecured notes	30,346,757	30,124,841	30,346,757	30,124,841
	52,792,390	54,028,322	50,343,740	50,053,057
CURRENT LIABILITIES				
Secured bank loans	2,145,528	2,075,411	-	-
Bank overdrafts	5,117,977	3,209,219	-	-
	7,263,505	5,284,630	-	-

23

Loans and borrowings (Contd)

23.2 / TERMS AND DEBT REPAYMENT SCHEDULE

The terms and conditions of outstanding loans are as follows:

	ORIGINAL CURRENCY	CARRYING AMOUNT		NOMINAL INTEREST RATE	YEAR OF MATURITY
		2019	2018		
Bank loan	EUR	€548,995	€826,489	Bank's base rate + 3.00%	2021
Bank loan	OMR	€995,213	€749,112	5.50%	2022
Bank loan	EGP	€3,053,312	€4,017,432	5.00%	2021
Bank loan	USD	€NIL	€457,642	LIBOR + 3.5%	2019
Secured notes	EUR	€19,996,983	€19,928,216	6.00%	2023
Unsecured notes	EUR	€22,112,609	€22,074,946	4.50%	2026
Unsecured notes	USD	€8,230,050	€8,049,895	5.75%	2026

The bank loans denominated in Euro were secured by first and second general hypothec each for €2,316,436 over all assets present and future given by Medserv Operations Limited, second special hypothec for €1,876,904 over the temporary utile dominium of Medserv site and property at Malta Freeport, joint and several guarantee of €2,169,574, pledge on receivables, guarantee for €12,270,000 given by the Company; first pledge over a combined business policy for €8,568,381 and pledge of insurance cover over purchased equipment for €1,334,000, a letter of undertaking given by the shareholders that Mr Anthony J Duncan and Mr Anthony S Diacono will directly or indirectly retain control and hold more than 51% of the issued capital; letter of

undertaking by the parent company whereby it undertakes to maintain the present level of its control and interest in Medserv Operations Limited through its shareholding throughout the duration of the facilities, and a letter of undertaking by the 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 (Contd)

23.3 /

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

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
2018	€
Balance at 1 January 2018	49,570,641
Effect of movement in exchange rate	349,801
Amortisation of transaction costs during the year	132,615
BALANCE AS AT 31 DECEMBER 2018	50,053,057

Notes issued in 2016 with a carrying amount as at 31 December 2019 of €30,346,757 (2018: €30,124,841) are unsecured. The other notes are secured by 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

Loans and borrowings (Contd)

23.4 /

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

BANK OVERDRAFT	INTEREST RATE	SECURITY
€3,500,000	5.35%	Second and special Hypothec for €7,500,000 on subsidiary company's assets
€750,000	5.15%	Joint and several guarantees for €1,500,000 by the parent company

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

At 31 December 2019, the Group availed of credit card facilities amounting to approximately €1,935,000 (2018: €1,935,000) for OCTG customs clearance purposes.

24

Provisions

	THE GROUP		
	TOTAL	LEGAL AND CONSTRUCTIVE OBLIGATIONS	OTHER CLAIMS
	€	€	€
Balance at 1 January 2019	(44,191)	(5,112)	(39,079)
Provisions reversed during the year	44,191	5,112	39,079
Balance at 31 December 2019	-	-	-

25

Employee
benefits

25.1 /

	2019	2018
	€	€
Liability for severance payments	(928,169)	(786,202)
Liability for retirement gratuities	(47,535)	(32,961)
	(975,704)	(819,163)
Non-current	(959,789)	(819,163)
Current	(15,915)	-
	(975,704)	(819,163)

25.2 /

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

	2019	2018
	€	€
Balance at 1 January	(786,202)	(677,462)
INCLUDED IN PROFIT OR LOSS:		
Interest cost	(50,325)	(255,465)
Current service cost	(84,646)	-
Effect of movements in exchange rates	(15,881)	(33,533)
Benefits paid	8,885	180,258
BALANCE AT 31 DECEMBER	(928,169)	(786,202)

25.3 /

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

	2019	2018
Discount rate	3.5%	3.5%
Future salary growth	5.0%	5.0%
Expected term	6.90 years	8.79 years

25.4 /

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

	31 December 2019		31 December 2018	
	Increase €	Decrease €	Increase €	Decrease €
Discount rate (1% movement)	51,349	(55,674)	28,029	(34,256)
Future salary growth (1% movement)	(160,504)	160,504	(86,248)	74,139
Expected term (1 year)	27,138	(28,088)	10,822	(13,639)

26

Employee
benefits

26.1 /

	THE GROUP		THE COMPANY	
	2019 €	2018 €	2019 €	2018 €
Trade payables	6,086,108	4,402,335	82,804	87,530
Amounts due to shareholders	61,014	61,014	61,014	61,014
Amounts due to note holders	13,586	8,560	13,586	8,560
Amounts due to subsidiaries	-	-	332,094	7,700,010
Amounts due to non-controlling interest	1,859,910	1,960,033	-	-
Accrued expenses	2,214,907	1,147,156	64,728	154,652
Other payables	703,381	566,295	-	-
	10,938,906	8,145,393	554,226	8,011,766
Current	9,078,996	8,145,393	554,226	8,011,766
Non-Current	1,859,910	-	-	-
	10,938,906	8,145,393	554,226	8,011,766

26.2 /

During the year, amounts due to subsidiaries amounting to €8,235,951 were set off against the receivables from subsidiaries (see note 19.4). The 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.

26.3 /

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

	Note	THE GROUP		THE COMPANY	
		2019 €	2018 €	2019 €	2018 €
Cash in hand		207,787	161,602	-	-
Bank balances		5,535,192	5,454,630	14,225	15,916
		5,742,979	5,616,232	14,225	15,916
Bank overdraft used for cash management purposes	22	(5,117,977)	(3,209,219)	-	-
CASH AND CASH EQUIVALENTS		625,002	2,407,013	14,225	15,916

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
(Contd)**

28.1 / ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTD)

	CARRYING AMOUNT			
	31 DECEMBER 2019		31 DECEMBER 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	€	€	€	€
FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE				
Secured notes	(19,996,983)	(20,000,000)	(19,928,216)	(20,420,000)
Unsecured notes	(30,346,757)	(29,834,143)	(30,124,841)	(30,528,551)

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 2018 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 therefore 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.

28.2 / 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 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 receivables, and receivables from subsidiaries.

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

28

Financial
instruments
- fair values
and risk
management
(Contd)

28.4 / CREDIT RISK (CONTD)

	CARRYING AMOUNT			
	THE GROUP		THE COMPANY	
	2019 €	2018 €	2019 €	2018 €
Trade and other receivables and contract assets	18,621,653	14,044,151	26,257	12,049,301
Receivable from subsidiaries	-	-	43,550,676	49,262,955
Cash at bank	5,535,192	5,454,630	14,225	15,916
	24,156,845	19,498,781	43,591,158	61,328,172

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

	THE GROUP		THE COMPANY	
	2019 €	2018 €	2019 €	2018 €
Impairment loss on trade and other receivables	(69,452)	(95,751)	-	-
Impairment loss on amounts receivable from subsidiaries	-	-	22,625	69,454
Impairment loss on cash at bank	-	(26,894)	-	-
	(69,452)	(122,645)	22,625	69,454

Trade receivables and contract assets

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. 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. 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 2019, the Group's three (2018: three) most significant customers accounted for €10.2 million (2018: €8.06 million) of the trade receivables.

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

THE GROUP		
	2019	2018
	€	€
CARRYING AMOUNT		
Domestic	355,968	202,025
Eurozone countries	893,240	2,403,176
Libya	6,287,606	6,479,042
Middle East	2,211,670	2,637,202
Other regions	7,285,243	1,170,545
	17,033,727	12,891,990

28

**Financial
instruments
- fair values
and risk
management
(Contd)**

28.4 / CREDIT RISK (CONTD)**Trade receivables and contract assets (Contd)**

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

	THE GROUP	
	2019	2018
	€	€
NOT-CREDIT IMPAIRED		
External credit ratings at least Baa3 from Standard & Poor's or BBB - from Standard & Poor's	4,406,394	1,397,042
OTHER CUSTOMERS:		
Four or more years' trading history with the Group	6,409,170	11,086,884
Less than four years' trading history with the Group	6,356,770	476,795
Higher risk	879,713	880,043
TOTAL GROSS CARRYING AMOUNT	18,052,047	13,840,764
Loss allowance	(1,018,320)	(948,774)
CARRYING AMOUNT	17,033,727	12,891,990

Other trade receivables were predominantly highly 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.
- Loss rates calculated using a method based on the historical period of sales to determine

what part of sales were actually written off in preceding reporting periods.

- Specific provisions for internally and externally rated customers

Loss rates are based on actual credit loss experience over the past five 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 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	

28

Financial
instruments
- fair values
and risk
management
(Contd)

28.4 / CREDIT RISK (CONTD)

Trade receivables and contract assets (Contd)

Expected credit loss assessment for corporate customers (Contd)

31 DECEMBER 2019				
Equivalent to external credit rating	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
		€	€	
EXTERNALLY RATED				
AAA	0.00%	287,216	-	No
BBB	0.04%	2,801,535	1,256	No
B	3.41%	309,409	10,545	No
AA	0.00%	81,886	-	No
A	0.04%	401,715	166	No
BB	0.38%	524,634	2,003	No
INTERNALLY RATED				
Equivalent to CCC/C	10.47%	1,088,699	113,950	No
Equivalent to D	100.00%	88,672	88,672	Yes
		5,583,766	216,592	

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 2018.

THE GROUP				
	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance	Credit- impaired
		€	€	
Current (not past due) and <30 days past due	2.74%	750,585	(1,159)	No
Past due 31 to 60 days	1.59%	106,382	(1,689)	No
Past due 61 to 90 days	3.00%	118,381	(3,551)	No
Past due > 90 days	3.11%	582,669	(18,133)	No
		1,558,017	(24,532)	

In 2018, loss rates calculated using a sales approach were based on actual credit loss experience over the past four years, which after being multiplied by scalar factors to take cognisance of current and future economic conditions resulted in a loss rate of 4.25% resulting in an ECL of €310,420 on total exposures of €7,300,627 as at 31 December 2018.

28

**Financial
instruments
- fair values
and risk
management
(Contd)**

28.4 / CREDIT RISK (CONTD)**Trade receivables and contract assets (Contd)****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	
	2019	2018
	€	€
BALANCE AT 1 JANUARY UNDER IFRS 9	981,188	875,174
Net remeasurement of loss allowance	69,452	106,014
BALANCE AT 31 DECEMBER	1,050,640	981,188

Cash and cash equivalents

As at 31 December 2019, the Group and the Company held cash at bank of €5,535,192 (2018: €5,454,630) and €14,225 (2018: €15,916) 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.

Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€	€	€	€
At amortised cost			-	
A1	4,221	219,891	-	-
A2	4,767,443	155,348	14,225	-
Aa3	396,581	-	-	-
Baa1	-	3,903,641	-	-
Ba1	-	75,438	-	-
Baa3	-	1,775	-	-
B2	-	405,878	-	15,916
B3	-	672,249	-	-
BBB	45,278	47,304	-	-
BBB+	260,830	-	-	-
BBB-	3,714	-	-	-
B+	84,019	-	-	-
GROSS CARRYING AMOUNTS	5,562,086	5,481,524	14,225	15,916
Loss allowance	(26,894)	(26,894)	-	-
CARRYING AMOUNT	5,535,192	5,454,630	14,225	15,916

Amounts due by subsidiaries

During 2019, a net impairment loss of €22,625 (2018: €69,454) on the amounts owed by subsidiaries was sustained during the year.

Guarantees

At 31 December 2019, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 30).

28

Financial instruments - fair values and risk management (Contd)

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.

As at 31 December 2019, the Group had an unutilised overdraft facility amounting to €541,409 (2018: €587,560), which bears interest at the Bank's Base Rate plus 3 per cent.

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 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)
31 DECEMBER 2018							
FINANCIAL LIABILITIES							
Secured notes	19,928,216	(26,000,000)	(1,200,000)	(1,199,425)	(23,600,575)	-	-
Unsecured notes	30,124,841	(40,856,633)	(1,448,858)	(1,452,827)	(4,346,573)	(33,608,376)	-
Secured bank loans	6,050,676	(6,508,746)	(2,475,006)	(1,974,086)	(2,059,654)	-	-
Bank overdraft	3,209,219	(3,338,261)	(3,338,261)	-	-	-	-
Lease liabilities	30,508,779	(61,763,651)	(3,739,945)	(3,884,699)	(7,867,344)	(9,573,967)	(36,697,695)
Trade and other payables	8,145,393	(8,145,393)	(8,145,393)	-	-	-	-
	97,967,124	(146,612,684)	(20,347,463)	(8,511,037)	(37,874,146)	(43,182,343)	(36,697,695)

28

Financial instruments - fair values and risk management (Contd)

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 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

Currency Risk (continued)

31 DECEMBER 2018

	USD	LYD	OMR	AED	EGP	GBP
Trade receivables	2,554,871	-	843,890	2,570,483	-	-
Trade payables	(71,834)	-	(241,052)	(1,835,005)	(3,042,570)	42,487
Unsecured notes	(9,212,171)	-	-	-	-	-
Bank loan	(523,446)	-	(329,277)	-	(82,095,476)	-
Available funds in foreign currency	4,310,574	13,798	207,290	693,529	12,210,199	-
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	(2,942,006)	13,798	480,851	1,429,007	(72,927,847)	42,487

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

	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)
	31 DECEMBER
	2018 USD
Receivables from subsidiaries	9,288,307
Unsecured notes	(9,212,171)
Available funds in foreign currency	11,326
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	87,462

28

**Financial
instruments
- fair values
and risk
management
(Contd)**

Currency Risk (continued)

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2019	2018	2019	2018
USD	1.1194	1.181	1.1215	1.144
GRP	0.877	0.889	0.850	0.899
LYD	1.544	1.571	1.543	1.579
OMR	0.430	0.454	0.4306	0.440
AED	4.110	4.337	4.1187	4.203
EGP	18.799	20.841	17.963	20.426

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 2018.

	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	-	-	-
31 DECEMBER 2018				
USD	(229,592)	(978)	486,251	-
LYD	(858)	-	-	-
OMR	-	-	(184,192)	-
AED	-	-	(34,002)	-

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.

28

Financial
instruments
- fair values
and risk
management
(Contd)

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	
	2019 €	2018 €	2019 €	2018 €
VARIABLE-RATE INSTRUMENTS				
Financial assets	5,535,192	5,454,630	14,225	15,916
Financial liabilities	(4,479,464)	(4,493,350)	-	-
FIXED-RATE INSTRUMENTS				
Financial assets	-	-	43,550,676	49,262,955
Financial liabilities	(50,343,740)	(50,053,057)	(50,343,740)	(50,053,057)

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 €10,557 (2018: €9,612) and by €142 (2018: €159) 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 2018.

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: €8,231,373 (2018: €8,049,895)) and a USD denominated secured bank loan (carrying amount: €nil (2018: €457,645)) which mitigates the foreign currency risk arising from the sub-group's net assets. The bond and the loan are designated as hedging instruments 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
(Contd)**

Net investment hedges (continued)

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

	THE GROUP	
	2019	2018
	€	€
FOREIGN EXCHANGE DENOMINATED DEBT		
USD secured bank loan	-	457,642
USD denominated notes	8,228,688	8,049,895
	8,228,688	8,507,537
Change in fair value used for calculating hedge ineffectiveness	160,278	487,867
Change in value of hedging instrument recognised in OCI	(160,278)	(487,867)
Hedge ineffectiveness recognised in profit or loss within finance costs	-	-
FOREIGN CURRENCY TRANSLATION RESERVE	(160,278)	(487,867)

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 and creativity.

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

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

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

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 also monitors the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the board of directors. There were no changes in the Group's approach to capital management during the year.

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 forty-one and a half years until 2060.

29.1.1 / Right-of-use assets

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

	PROPERTY	
	2019	2018
Note	€	€
Balance at 1 January	78,335,057	75,895,472
Additions	98,086	9,796,875
Depreciation charge for the year	(4,606,764)	(3,705,107)
Lease modification	1,737,328	(4,586,001)
Effect of movement in exchange rates	284,290	933,818
BALANCE AT 31 DECEMBER	75,847,997	78,335,057

29.1.1.2 / Impairment assessments

At reporting date, a result of the losses sustained in the comparative years by (i) Middle East Tubular Services Limited (“METS UAE”) and (iii) Middle East Tubular Services (Iraq) Limited (“METS Iraq”) and in consideration of the following risks:

- the global and regional political and economic risks;
- 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.

Other than the right-of-use assets of METS Sohar, which were tested separately for impairment, the Group tested for impairment the property, plant and equipment (see note 13) and right-of-use assets of METS UAE and METS Iraq as part of the related Cash-Generating Unit (CGU) of which they form part.

The carrying amount of the tested rights-of-use assets at reporting date stood as follows:

- METS UAE – €1,468,694
- METS Sohar - €5,420,608
- METS Iraq - €1,412,758

The assets and related CGUs form part of the METS sub-group and OCTG CGU which was also tested for impairment in view of the yearly impairment testing for Goodwill (refer to note 16.3).

The recoverable amount of these CGUs as at 31 December 2019 were determined with reference to their

value-in-use, by discounting the future cash flows to be generated from their continuing use. The cash flow projections included specific estimates for the five-year period 2020 to 2024 and a terminal growth rate thereafter. The cash flow projections in the prior period considered specific estimates for the years 2019 to 2023. EBITDA margins included in the projections were based on management’s expectations of market developments and future outcomes, taking into account past performance, adjusted for anticipated revenue growth. No impairment loss has been determined for the tested assets and related CGUs.

29.1.1.3 / Revaluation of land held from emphyteutical grant

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

The property rights of the Group at the Malta Freeport Terminals, which comprise industrial land and the overlying buildings and facilities, emanate from the emphyteutical grant deeds dated 29 May 1997, 23 December 1999 and 22 June 2004, the lease agreement dated 5 December 2012 as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited on the 5 December 2012.

29

Leases (Contd)

29.1.1.3 / Revaluation of land held from emphyteutical grant (Contd)

The property rights of the Company at Hal Far Industrial Estate, which comprise two adjacent plots of industrial land, emanate from the lease agreements. The valuation of all these property rights was carried out on the basis of Market Value on the assumption that the property rights could be sold subject to any existing third-party obligations.

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

On this basis, the Directors concluded that the carrying amount of the above-mentioned right-of-use assets of €59,913,561 approximates

the fair value at the reporting date and that accordingly no adjustment is required in these financial statements.

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

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

29.1.1.4 / Measurement of fair value

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

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

29.1.2 / Lease liabilities

	2019	2018
	€	€
MATURITY ANALYSIS-CONTRACTUAL UNDISCOUNTED CASH FLOWS		
Less than one year	3,980,928	3,739,945
One to five years	11,610,353	11,752,043
Five years to ten years	12,073,625	9,573,767
More than ten years	38,190,109	36,697,695
TOTAL UNDISCOUNTED LEASE LIABILITIES AT 31 DECEMBER	65,855,015	61,763,450
Current	1,373,791	1,825,925
Non-current	29,171,115	28,682,854
LEASE LIABILITIES INCLUDED IN THE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER	30,544,906	30,508,779
AMOUNTS RECOGNISED IN PROFIT OR LOSS		
Interest on lease liabilities	(1,988,383)	(1,760,802)
Variable lease payments not included in the measurement of lease liabilities	(55,182)	(53,040)
AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS		
Total cash outflow for leases	(4,136,489)	(3,187,177)

29

Leases (Contd)

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 €661,379 (2018: €1,811,876);
- The Company acts as a guarantor to certain banks in respect of credit facilities granted to two subsidiaries 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 Western Mediterranean Limited and Medserv Eastern Mediterranean Limited amounting to €37,821 (2018: €38,781) (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 31.17% and 34.33% (2018: 31.17% and 34.33%) respectively of the issued share capital of the Company either directly or indirectly.

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 €103,750 (2018: €225,000). The total remuneration paid to key management personnel of the Group (including directors' emoluments) during the year amounted to €1,530,136 (2018: €1,378,511).

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 note 19 to these financial statements, there were the following related party transactions:

	THE COMPANY			
	2019		2018	
	€		€	
Subsidiaries				
Interest charged to	2,565,507		2,635,193	
	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€	€	€	€
Other related parties				
Services provided by	52,260	40,567	-	-

31

Related Parties (Contd)

31.5 / RELATED PARTY BALANCES

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

32

Subsequent Events

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

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



03

Independent
Auditors'
Report



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, 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' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Material Uncertainty Related to Going Concern

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

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

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: €2,667,740) 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: €6,098,969 in aggregate, net of impairment) and 'Right-of-use assets' (Group: €8,302,060 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").

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 OCTG CGU relate are: (i) the global and regional political and economic risks; (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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

For each asset (tested individually), each separate CGU and the OCTG CGU, to estimate the recoverable amount as per the applicable financial reporting framework, the directors prepare a value-in-use analysis. 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 2019 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;
- 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, terminal value growth rate, average annual EBITDA growth rate and average EBITDA margins used for estimating the recoverable amount.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

Key observation

Specifically in relation to the estimation of value-in-use of the individual assets, the separate CGUs and the OCTG CGU, we have engaged in discussions with the directors in respect of significant enhancements to the precision of the control over their review of the key inputs and assumptions underlying that estimate.

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 19 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: €5,242,724 in aggregate, net of impairment) and 'Receivables from subsidiaries' (Group: €40,670,976 in aggregate).

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.

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; (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



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

applied the same 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 cash flows, and subject to the same risks 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 2019 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 that subsidiaries;
- we assessed the impact of the underlying business risk factors and the assumptions applied in 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 value-in-use analysis including discount rate, terminal value growth rate, average annual EBITDA growth rate and average EBITDA margins used for estimating the recoverable amount.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

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.

Key observation

Specifically in relation to the estimation of value-in-use of each CGU identified in this key audit matter, we have engaged in discussions with the directors in respect of significant enhancements to the precision of the control over their review of the key inputs and assumptions underlying that estimate.

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 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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Key audit matters (continued)

Our response

As part of our audit procedures:

- we compared 2019 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.

Key observation

Specifically in relation to the estimation of future taxable profits relating to Medserv Operations Limited, we have engaged in discussions with the directors in respect of significant enhancements to the precision of the control over their review of the key inputs and assumptions underlying that estimate.

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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, related safeguards.

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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
- specifically in relation to the statement on going concern in the directors report, we have nothing to report. Refer also to the *Material Uncertainty Related To Going Concern* paragraph in this report.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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 thirteen years;
- As described in the *Material Uncertainty Related To Going Concern* paragraph, the directors have identified circumstances that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. In line with ISAs, that paragraph shall not be reported in the key audit matters section of our report. In line with the requirements of the Act, we provide a summary of our procedures in relation to that paragraph. We assessed the rationale of the directors' use of the going concern basis of accounting and the existence of the material uncertainty. As part of our audit procedures as response to the matter we:
 - Evaluated the projections prepared by the directors, by reference to our understanding of the Group, historical trends, available industry information, available market data and relevant documentation on contracted and revised business pipeline; and
 - Assessed the factual accuracy of the going concern disclosures, by inspecting relevant documentation supporting the Group's assessment and the matters giving rise to the material uncertainty.

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



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

3 Report on Other Legal and Regulatory Requirements (continued)

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

- 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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

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

29 May 2020



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report

To the Shareholders of Medserv p.l.c

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta

We were engaged by the Directors to report on specific disclosures in the Corporate Governance Statement (the "Disclosures") of Medserv p.l.c. (the "Company") as at 31st December 2019 as to whether these are in compliance with corporate governance regulations 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, 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, 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; and,
- (b) the Disclosures include the other information required by Listing Rule 5.97, in so far as it is applicable to the Company.

Responsibilities of the Directors

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



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Responsibilities of the Directors (continued)

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.

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.

Auditors' 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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Auditors' Responsibilities (continued)

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' *Code of Ethics for Professional Accountants*, 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).

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.



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Auditors' Responsibilities (continued)

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 Rule 5.97.4 and Listing Rule 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.

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 following disclosures:
 - (i) the information referred to in Listing Rule 5.97.4, included in the directors' Corporate Governance Statement, as this relates to the Company's internal control and risk management systems in relation to the financial reporting process; and,
 - (ii) the information referred to in Listing Rule 5.97.5, included in the Directors' Report, insofar as it is applicable to the Company;



KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Medserv p.l.c.

Auditors' Responsibilities (continued)

(b) the other disclosures required by Listing Rule 5.97 have been included in the directors' Corporate Governance Statement, as these apply 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

29 May 2020