Medserv Operations Limited

Annual Report

2021

Company Registration Number: C 2971

Medserv Operations Limited

Medserv Operations Limited

Directors' Report

For the Year Ended 31 December 2021

The directors have prepared this directors' report for Medserv Operations Limited (the "Company") in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) ("the Act") including the further provisions as set out in the Sixth Schedule to the Act together with the financial statements of the Company for the year ended 31 December 2021.

Board of directors

Olivier Bernard (appointed on 22 October 2021)
Carmelo Bartolo (appointed on 22 October 2021)
Anthony S Diacono (resigned on 22 October 2021)
Anthony J Duncan (resigned on 25 June 2021)
Joseph Zammit Tabona (resigned on 22 October 2021)
Laragh Cassar (resigned on 22 October 2021)

Principal activities

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

Review of business development

During the year, the Company has secured the extension of its contracts with its major clients and shall continue to provide integrated logistics support services from its base in Malta. The Company has also secured contracts with new clients operating in non-oil & gas business and with the aim to diversify its income base.

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

Principal risks and uncertainties

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

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

Political risk:
The Company's results may be significantly impacted 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.

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2021

Principal risks and uncertainties (continued)

Oil and gas price:

Oil and gas service companies tend to have greater volatility of earnings than oil and gas 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 and gas prices would directly benefit the Company from increased services required by oil and gas companies in preparation of the oil and gas exploration. On the other hand, as oil and gas 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 and gas prices, these actions apply downward pressure on the rates charged by drillers, oilfield support services, and other suppliers such as the Company. Accordingly, the Company's profit margins may be tightened due to such weakened demand for the services offered and heightened industry competition to maintain market share. The Company's strategy is to increase product diversification.

Financial performance

The Company's total revenue for the year amounted to €6,528,468 (2020: €10,505,862), representing a decrease of 37.9% (2020: 23.7% decrease) over the previous year. The Company has managed to retain a reasonable volume of business given the unfavourable economic climate underscored by the pandemic. EBITDA margin improved when compared to the previous year. Operating loss during the year amounted to €1,029,682 (2020: €635,512). In 2020, the Company was actively supporting drilling campaigns offshore Libya during the first six months of the year, until the projects were postponed due to the closure of ports and airports. The postponement of the offshore drilling projects as a result of the restrictions imposed due to the pandemic had a negative impact on the Company's financial performance for the current year.

The Adjusted Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Company amounted to €1,706,292 (2020: €2,320,461), see note 12. After recognising depreciation amounting to €2,288,596 (2020: €2,511,853), impairment loss on property, plant and equipment amounting to €447,377 (2020: €444,119) and finance costs amounting to €713,425 (2020: €812,907), the Company registered a loss before tax of €1,743,107 (2020: €1,448,419). After accounting for taxation, the loss for the year amounted to €313,180 (2020: €633,965).

Financial key performance indicators

	2021	2020
	€ 000	€ 000
Revenue	**6,528**	10,505
Loss for the year	**(313)**	(634)
Adjusted EBITDA	**1,706**	2,320
Working capital	**2,249**	4,471
Cash and cash equivalents	**(2,135)**	(1,038)

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2021

Financial key performance indicators (continued)

	2021	2020
EBITDA margin in %	**19.28**	17.86
EBITDA-to-Interest Coverage Ratio	**1.77**	2.31
Debt (excl. parent company loans) to EBITDA ratio	**4.01**	2.93
Debt (excl. parent company loans) to Equity ratio	**0.19**	0.17

Financial position

As at 31 December 2021, the Company reported a net asset position amounting to €26,813,600 (2020: €32,367,213) and a positive working capital of €2,249,201 (2020: €4,470,806).

Dividends

No dividends can be distributed in view of the Company's accumulated losses.

Reserves

During the year, transfers from revaluation reserve to retained earnings amounted to €258,983 (see note 16).

Accumulated losses amounting to €141,384 are being carried forward.

Future developments

The Company's objective during the year was to preserve its liquidity and ensure that it continues to register positive EBITDA sufficient to meet its financial obligations. Immediate measures were adopted across the Company, allowing the Company to adapt its cost base through lower operating costs and delaying capital expenditure.

Despite the operational challenges presented by COVID-19, the Company has remained operational and continued to service its clients. The global pandemic coupled with the macro-economic uncertainty in the industry has caused the offshore drilling exploratory projects to be postponed rather than cancelled, including those projects involving services offered by the Company. These drilling projects are expected to resume in 2023.

The Board shall continue to adopt a proactive approach to the current environment to maintain the continued viability of the Company. Upon due consideration of the Company's performance and financial position, capital adequacy and solvency, and taking into consideration the factors noted in the previous paragraph and Note 2.1.1 in the financial statements, the directors confirm the Company's ability to continue operating as a going concern for the foreseeable future.

Medserv Operations Limited

Directors' Report (continued)

For the Year Ended 31 December 2021

Subsequent events

The effects of the war which broke out on 24 February 2022 between Russia and Ukraine are highlighted in note 26 to the financial statements.

The Directors are closely monitoring the possible impact on the Company's operations and financial performance and is committed to take all necessary steps to mitigate any impact. As the Company's main market is the Mediterranean region, the directors considered that there should not be any significant direct or indirect impact on the Company's operations.

Financial reporting framework

On 1 January 2021, the directors resolved to use International Financial Reporting Standards (IFRSs) as adopted by the EU as the Company's accounting framework and consequently prepared the financial statements for the year ended 31 December 2021 in accordance with these accounting principles.

Approved on 29 April 2022 and signed by:

Olivier Bernard
Director

Carmelo Bartolo
Director

Registered Office

Port of Marsaxlokk
Birzebbugia
Malta

Medserv Operations Limited

Statement of Financial Position

As at 31 December 2021

	Note	2021 €	2020 €
ASSETS			
Property, plant and equipment	13	**14,384,439**	15,447,707
Right-of-use assets	23	**46,231,170**	55,698,421
Deferred tax assets	11	**7,647,508**	3,395,811
Total non-current assets		**68,263,117**	74,541,939
Trade and other receivables	14	**8,780,421**	7,957,872
Contract assets	5	**63,311**	2,418
Cash at bank and in hand	15	**159,707**	182,286
Total current assets		**9,003,439**	8,142,576
Total assets		**77,266,556**	82,684,515

Medserv Operations Limited

Statement of Financial Position (continued)

As at 31 December 2021

	Note	2021 €	2020 €
EQUITY			
Share capital	16	**232,940**	232,940
Parent company contribution	16	**13,074,410**	13,074,410
Revaluation reserve	16	**4,746,174**	10,245,590
Statutory reserve	16	**9,066,217**	8,338,508
(Accumulated losses) / retained earnings		**(306,141)**	475,765
Total equity		**26,813,600**	32,367,213
LIABILITIES			
Deferred income	17	**29,761,882**	30,532,919
Lease liabilities	23	**10,114,720**	10,086,182
Amounts due to parent company	18	**-**	941,217
Loans and borrowings	19	**3,811,252**	5,034,146
Provision	20	**10,864**	51,068
Total non-current liabilities		**43,698,718**	46,645,532
Deferred income	17	**866,387**	807,733
Loans and borrowings	19	**1,235,449**	467,119
Trade and other payables	21	**2,341,353**	1,176,437
Bank overdraft	19	**2,294,760**	1,220,481
Provision	20	**16,289**	-
Total current liabilities		**6,754,238**	3,671,770
Total liabilities		**50,452,956**	50,317,302
Total equity and liabilities		**77,266,556**	82,684,515

The notes on pages 12 to 63 are an integral part of these financial statements.

The financial statements on pages 6 to 63 were approved and authorised for issue on 29 April 2022.

Olivier Bernard
Director

Carmelo Bartolo
Director

Medserv Operations Limited

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021 €	2020 €
Revenue	5	**6,528,468**	10,505,862
Cost of sales	7	**(6,268,936)**	(9,585,153)
Gross profit		**259,532**	920,709
Other income	6	**961,718**	1,405,474
Administrative expenses	7	**(2,072,811)**	(2,259,936)
Reversal/(impairment) of loss on financial assets	22.4	**269,256**	(257,639)
Other expenses	6	**(447,377)**	(444,120)
Results from operating activities		**(1,029,682)**	(635,512)
Finance costs	9	**(713,425)**	(812,907)
Loss before income tax		**(1,743,107)**	(1,448,419)
Tax income	10	**1,429,927**	814,454
Loss for the year		**(313,180)**	(633,965)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Revaluation of right-of-use assets	23.1.1	**(8,062,204)**	-
Related tax	16.4	**2,821,771**	-
Other comprehensive income for the year, net of tax		**(5,240,433)**	-
Total comprehensive income for the year		**(5,553,613)**	(633,965)
Adjusted EBITDA	**12**	**1,706,292**	2,320,461

The notes on pages 12 to 63 are an integral part of these financial statements.

Medserv Operations Limited

Statement of Changes in Equity

For the Year Ended 31 December 2021

	Note	Share Capital €	Parent company contribution €	Revaluation reserve €	Statutory Reserve €	Retained earnings/ (accumulated losses) €	Total equity €
Balance at 1 January 2020		232,940	13,074,410	10,504,573	8,338,508	850,747	33,001,178
Transfers between reserves		-	-	(258,983)	-	258,983	-
Total comprehensive income							
Loss for the year		-	-	-	-	(633,965)	(633,965)
Balance at 31 December 2020		232,940	13,074,410	10,245,590	8,338,508	475,765	32,367,213
Balance at 1 January 2021		**232,940**	**13,074,410**	**10,245,590**	**8,338,508**	**475,765**	**32,367,213**
Transfers between reserves	16.4	**-**	**-**	**(258,983)**	**727,709**	**(468,726)**	**-**
Total comprehensive income							
Loss for the year		**-**	**-**	**-**	**-**	**(313,180)**	**(313,180)**
Other comprehensive income	16.4	**-**	**-**	**(5,240,433)**	**-**	**-**	**(5,240,433)**
Total comprehensive income		**-**	**-**	**(5,240,433)**	**-**	**(313,180)**	**(5,553,613)**
Balance at 31 December 2021		**232,940**	**13,074,410**	**4,746,174**	**9,066,217**	**(306,141)**	**26,813,600**

The notes on pages 12 to 63 are an integral part of these financial statements.

Medserv Operations Limited

Statement of Cash Flows

For the Year Ended 31 December 2021

	Note	2021 €	2020 €
Cash flows from operating activities			
Loss for the year		**(313,180)**	(633,965)
Adjustments for:			
Depreciation	13, 23	**2,288,597**	2,511,853
Net reversal of deferred income	6.1	**(775,533)**	(775,533)
Government grant income	6.1.2	**(36,855)**	-
Provision for discounted future gratuity payments	20	**(23,916)**	2,193
Gain on disposal of property, plant and equipment	6	**(40,579)**	(10,000)
Net (reversal)/impairment loss on trade and other receivables	22	**(269,256)**	257,639
Impairment loss on property, plant and equipment	6	**447,377**	444,120
Unrealised exchange gains	6.1	**(211)**	(9,258)
Finance costs	9	**713,425**	812,907
Deferred tax income	10	**(1,429,927)**	(814,454)
		559,942	1,785,502
Changes in:			
Trade and other receivables		**2,544,332**	1,951,113
Deferred income		**100,004**	-
Contract assets		**(60,893)**	539,500
Trade and other payables		**1,167,605**	(1,882,913)
Cash generated from operating activities		**4,310,990**	2,393,202
Interest paid		**(88,434)**	(112,461)
Net cash from operating activities		**4,222,556**	2,280,741
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(272,830)**	(743,018)
Proceeds from sale of equipment	13	**45,751**	10,000
Receipt of government grants	6	**-**	525,059
Cash used in investing activities		**(227,079)**	(207,959)

Medserv Operations Limited

Statement of Cash Flows (continued)

For the Year Ended 31 December 2021

	Note	2021 €	2020 €
Cash flows from financing activities			
Repayment of bank borrowings		**(454,564)**	(47,730)
Interest paid on bank loans		**(42,664)**	(23,449)
Interest paid on loans due to parent company		**(10,284)**	(109,238)
Payment of lease liabilities	23	**(543,505)**	(524,868)
Repayment of loan advanced by parent		**(941,217)**	-
Proceeds from loans and borrowings		**-**	5,000,000
Net advances to related parties		**(3,100,101)**	(3,779,906)
Net cash (used in)/from financing activities		**(5,092,335)**	514,809
Net (decrease)/increase in cash and cash equivalents		**(1,096,858)**	2,587,591
Cash and cash equivalents at 1 January		**(1,038,195)**	(3,625,786)
Cash and cash equivalents at 31 December	**15**	**(2,135,053)**	(1,038,195)

The notes on pages 12 to 63 are an integral part of these financial statements.

1 Reporting entity

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

2 Basis of preparation

2.1 Statement of compliance

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

2.1.1 Going Concern basis of accounting

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

The Company continues to take appropriate measures to preserve liquidity whilst ramping up its operations to pre-COVID-19 levels. At reporting date, the Company had a net asset value of €26.8 million and positive working capital of €2.25 million.

In 2020 the Company had secured bank finance through the MDB COVID-19 Guarantee Scheme (CGS) with a subsidised interest rate to aid the finance of its working capital and continues to benefit from a number of government schemes aimed to support local businesses. At the date of authorisation of these financial statements, the Company has €1.3 million of unused credit lines available for use.

The reverse acquisition of the parent company by Regis Holdings Limited in June 2021 further strengthened MedservRegis plc group's financial and liquidity position and improved its capability of delivering value to all stakeholders. The recovery in oil and gas pricing is encouraging the major oil companies to start revisiting their drilling programmes and future investment projects. As global oil markets progressively recover from the effects of the pandemic and the related unprecedented declines in demand, the Company is well positioned to pursue growth opportunities in both existing and new markets and participate in many of the largest energy projects scheduled over the next five years.

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

2 Basis of preparation (continued)

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

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

- Note 13 - impairment test of property, plant and equipment: key assumptions underlying the recoverable amount;

- Note 22 – measurement of ECL allowance for trade receivables: key assumptions in determining the Loss Given Default and macro-economic adjustments; and

- Note 23 – significant assumptions applied in measuring fair values of revalued items of Right-of-use assets.

3 Significant accounting policies

3.1 Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting period. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

3 Significant accounting policies (continued)

3.1 Foreign currency transactions (continued)

3.1.1 Foreign currency gains and losses

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

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

3.2 Financial instruments

3.2.1 Recognition and initial measurement

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

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

3.2.2 Classification and subsequent measurement

3.2.2.1 Financial assets

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

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

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

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

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.2 Classification and subsequent measurement (continued)

3.2.2.1 Financial assets (continued)

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 Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.2.2.2 Financial assets – Business model assessment

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

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

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

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

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

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.2 Classification and subsequent measurement (continued)

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

In making this assessment, the Company considers:

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

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

3.2.2.4 Financial assets – Subsequent measurement and gains and losses

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

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

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

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

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.3 Derecognition

Financial assets

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

Financial liabilities

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

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

3.2.4 Offsetting

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

3.3 Share capital

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

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

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

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

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

3.4.1 Recognition and measurement (continued)

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.

3.4.2 Subsequent costs

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

3.4.3 Depreciation

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

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

Depreciation commences when the item is available for use.

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

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

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

3 Significant accounting policies (continued)

3.5 Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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

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

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

  - has the right to operate the asset; or
  - designed the asset in a way that predetermines how and for what purpose it will be used.

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

3.5.1 As a lessee

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

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

Subsequent to initial recognition, right-of-use assets that convey to the lessee rights over the use of land are revalued periodically, such that its carrying amount does not differ materially from that which would be determined using the fair value at the date of the statement of financial position. Any surpluses arising on revaluation are accounted for in terms of IAS 16 *Property, Plant and Equipment*, and thus credited to a revaluation reserve.

3 Significant accounting policies (continued)

3.5 Leases (continued)

3.5.1 As a lessee (continued)

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

3.6 Impairment

3.6.1 Financial assets

Financial instruments and contract assets

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

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

Financial instruments and contract assets (continued)

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

Measurement of ECLs (continued)

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

Credit-impaired financial assets

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

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

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

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

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

Write-off

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

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

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.1 Financial assets (continued)

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

Write-off (continued)

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

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

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

3.6.2 Non-financial assets

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

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

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

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

3 Significant accounting policies (continued)

3.6 Impairment (continued)

3.6.2 Non-financial assets (continued)

An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

3.7.1 Defined contribution plans

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

3.7.2 Other long-term employee benefits

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

3.8 Revenue

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

3.8.1 Nature of goods and services

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

3 Significant accounting policies (continued)

3.8 Revenue (continued)

3.8.1 Nature of goods and services (continued)

Logistic support services (continued)

The Company performs and provides logistics services to international oil companies carrying out offshore drilling campaigns. The Company delivers fully integrated supply base services which connect all the elements of our clients' logistics and materials management activities.

Logistics support services include provision of equipment, personnel, warehousing, quays and land in a certified facility aimed at supporting offshore oil and gas drilling activities. Invoices are issued on a monthly basis and are usually payable within 30 to 60 days. Uninvoiced amounts are presented as contract assets. Logistic support services provided are routine or recurring in nature and span over a period of time. These services have been identified as a series of distinct services transferred to the customer in the same pattern. The customer simultaneously receives the benefits provided by the entity as the services are being rendered. Revenue is recognised over time as the services are provided.

Engineering services

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

Invoices are issued according to contractual terms and are usually payable within 30 to 60 days. Uninvoiced amounts are presented as contract assets. As the Company's performance creates or enhances an asset that the customer controls as the asset is created. Revenue is recognised over time as the services are provided.

The stage of completion for determining the amount of revenue is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on customer specific contract or based on the list prices at which the Company sells the services in separate transactions.

Supply of goods

The Company is involved in procuring various goods and supplies to its customers for use on the offshore rigs and their supply vessels. Delivery occurs when the goods have been shipped to the specific location or loaded onto the client's vessel, the risks and rewards have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. Generally, for such goods, the customer has no right of return. Invoices are usually payable within 60 days.

3 Significant accounting policies (continued)

3.8 Revenue (continued)

3.8.1 Nature of goods and services (continued)

Supply of goods (continued)

Revenue from supply of goods is thus 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.

Supply of electricity

Revenue from supply of electricity is generated from the Company's investment in a Photovoltaic farm. Revenue is recognised over time based on the monthly readings of kWh of energy supplied as per monthly statements issued by the counterparty. Invoices are issued on monthly. Invoices are issued on receipt of the monthly statement issued by the counterparty and are payable within 15 days. Prices are based on the Feed-in-Tariffs.

3.8.2 Determining transaction price and allocation to performance obligations

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

3.9 Finance income and finance costs

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

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

3.10 Government grants

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

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In that case, the grant is recognised when it becomes receivable.

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

3 Significant accounting policies (continued)

3.11 Income tax

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

3.11.1 Current tax

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

3.11.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following sets out the effective date and impact of forthcoming amendments to standards and new standards on the Company's financial statements:

	EU effective date (financial period on or after)	Impact assessment
Standards available for early adoption		
Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022	No significant impact
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	No significant impact
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use	1 January 2022	No significant impact
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022	No significant impact
IFRS 17 Insurance Contracts	1 January 2023	Not applicable
Standards not yet endorsed by the EU		
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)	Not yet endorsed	Not applicable
Amendments to IAS 1: Classification of liabilities as current or non-current (effective 1 January 2023)	Not yet endorsed	No significant impact
Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)	Not yet endorsed	No significant impact
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective 1 January 2023)	Not yet endorsed	No significant impact
Amendments to IAS 8: Definition of Accounting Estimate (effective 1 January 2023)	Not yet endorsed	No significant impact

5 Revenue

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

5.1 Category of activity

	2021 €	2020 €
Shore base logistics services	**5,430,901**	6,928,811
Fabric maintenance, dredging and engineering services	**-**	930,271
Supply of goods	**608,822**	2,146,898
Photovoltaic income	**488,745**	499,882
	6,528,468	10,505,862

5 Revenue (continued)

5.1 Category of activity (continued)

	2021	2020
	€	€
Timing of revenue recognition		
Transferred over time	**5,919,646**	8,358,964
Point in time	**608,822**	2,146,898
	6,528,468	10,505,862

5.2 Primary geographical markets

	2021	2020
	€	€
Malta	**6,528,468**	10,505,862

5.3 Contract balances

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

	Note	2021	2020
		€	€
Trade receivables, which are included in			
'Trade and other receivables'	14	**2,556,302**	5,099,021
'Contract assets'		**63,311**	2,418
		2,619,613	5,101,439

The contract assets primarily relate to the Company'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 Other income and expenses

6.1 Other income

6.1.1

	Note	2021	2020
		€	€
Realised exchange gains		**138**	236,403
Unrealised exchange gains		**211**	9,258
Reversal of deferred income	17	**775,533**	775,533
Government grants	6.1.2	**128,427**	364,059
Insurance proceeds		**16,830**	10,221
Gain on disposal of equipment	13	**40,579**	10,000
		961,718	1,405,474

6 Other income and expenses (continued)

6.1.2 In 2020, the Company was granted a sum of €322,000 by Malta Enterprise in settlement of unutilised investment tax credits that had been awarded to the Company in relation to the provisions of Regulation 32 of the Business Promotion Regulations 2001 ('BPRs') to cover costs related to its investment on the setting up of a marine gas hub for one of its clients and conditional on an investment of €536,600 on this project. This grant is being amortised based on the useful life of capitalised expenditure made in relation to such project i.e. over a period of 10 years. The income recognised in the current year amounts to €32,473 (2020: €2,683).

In response to COVID-19, the government of Malta introduced a wage subsidy programme for companies that suffered business disruption caused by the pandemic. The Company's was granted a monthly wage subsidy conditional on the employees continuing in employment and the Company continuing paying their salary. During the year, the wage subsidies amounting to €79,872 (2020: €358,576). In addition, the Company also benefited from quarantine leave supplement amounting to €4,200 (2020: €2,800) and a one-time rent refund of €7,500 (2020: €nil).

In addition, The Company has a government grant on a photovoltaic system which is being amortised over the estimated useful life of the asset. The income recognised in the current year amounts to €4,382 (2020: €nil).

6.2 Other expenses

		2021	2020
	Note	**€**	€
Impairment loss on property, plant and equipment	13.3	**447,377**	444,120
		447,377	444,120

7 Expenses by nature

7.1

	Note	**2021**	2020
		€	€
Direct cost of services		**2,197,383**	5,176,111
Employee benefits	8	**2,313,198**	2,590,485
Depreciation	13, 23	**2,288,597**	2,511,853
Professional fees		**281,884**	313,058
Trade receivables written off		**81,074**	-
Travelling and telecommunications		**338,238**	295,039
Repairs and maintenance		**285,532**	219,348
Insurance		**176,033**	190,463
Staff welfare		**52,297**	141,603
Security services		**171,125**	168,963
Other		**156,386**	238,166
Total cost of sales and administrative expenses		**8,341,747**	11,845,089

7.2 Administrative expenses include auditors' remuneration amounting to €94,500 (2020: €100,000).

8 Personnel expenses

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

	2021	2020
	€	€
Directors' emoluments:		
Salaries	**595,673**	455,501
Fees	**170,550**	115,000
	766,223	570,501
Wages and salaries	**2,893,101**	3,359,437
Social security contributions	**171,168**	179,560
Maternity funds	**5,245**	5,538
	3,835,737	4,115,036
Recharged to fellow subsidiaries and parent company	**(1,522,539)**	(1,524,551)
	2,313,198	2,590,485

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

	2021	2020
	No.	No.
Operating	**61**	65
Management and administration	**20**	24
	81	89

9 Finance cost

	2021	2020
	€	€
Interest payable on bank loan	**(42,664)**	(23,449)
Other bank interest payable	**(88,434)**	(112,461)
Interest payable on parent company loan	**(10,284)**	(109,237)
Interest cost on lease liabilities	**(572,043)**	(567,760)
Finance costs	**(713,425)**	(812,907)

10 Tax expense

10.1 Amounts recognised in profit or loss

		2021	2020
	Note	**€**	€
Deferred tax movement			
Origination and reversal of temporary differences	11	**1,429,927**	814,454

10.2 The tax income 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:

	2021	2020
	€	€
Loss before tax	**(1,743,107)**	(1,448,419)
Income tax using the domestic income tax rate 35%	**610,087**	506,947
Tax effect of:		
Investment tax credits	**726,395**	-
Exempt income	**8,516**	127,778
Unrecognised deferred tax asset in prior year	**118,077**	218,563
Disallowed expenses	**(33,148)**	(38,834)
Tax income	**1,429,927**	814,454

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

11 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2021	2020	**2021**	2020	**2021**	2020
	€	€	**€**	€	**€**	€
Property, plant and equipment	**-**	-	**(1,306,185)**	(1,263,460)	**(1,306,185)**	(1,263,460)
Provision for discounted future gratuity payments	**9,503**	17,874	**-**	-	**9,503**	17,874
Provision for doubtful debts	**352,346**	446,586	**-**	-	**352,346**	446,586
Provision for exchange fluctuations	**-**	-	**(3,314)**	(3,240)	**(3,314)**	(3,240)
Provision for volume discounts	**11,008**	3,212	**-**	-	**11,008**	3,212
Provision for impairment loss on property, plant and equipment	**312,024**	155,442	**-**	-	**312,024**	155,442
Investment tax credits	**9,066,217**	8,339,822	**-**	-	**9,066,217**	8,339,822
Unabsorbed capital allowances and unutilised tax losses	**1,145,672**	806,388	**-**	-	**1,145,672**	806,387
Lease liabilities	**3,540,152**	3,530,164	**-**	-	**3,540,152**	3,530,165
Deferred income (grant)	**114,962**	-	**-**	-	**114,962**	-
Right-of-use assets	**-**	-	**(5,594,877)**	(8,636,977)	**(5,594,877)**	(8,636,977)
Tax assets/(liabilities)	**14,551,884**	13,299,488	**(6,904,376)**	(9,903,677)	**7,647,508**	3,395,811
Set-off of tax	**(6,904,376)**	(9,903,677)	**6,904,376**	9,903,677	**-**	-
Net deferred tax assets	**7,647,508**	3,395,811	**-**	-	**7,647,508**	3,395,811

11 Deferred tax assets and liabilities (continued)

11.2 Movement in temporary differences

2021

	Balance 01.01.21	Recognized in profit and loss	Recognized in other comprehensive income	Balance 31.12.21
Property, plant and equipment	**(1,263,460)**	**(42,725)**	**-**	**(1,306,185)**
Provision for discounted future gratuity payments	**17,874**	**(8,371)**	**-**	**9,503**
Provision for doubtful debts	**446,586**	**(94,240)**	**-**	**352,346**
Provision for exchange fluctuations	**(3,240)**	**(73)**	**-**	**(3,314)**
Provision for volume discounts	**3,212**	**7,796**	**-**	**11,008**
Provision for impairment loss on property, plant and equipment	**155,442**	**156,582**	**-**	**312,024**
Investment tax credits	**8,339,822**	**726,395**	**-**	**9,066,217**
Unabsorbed capital allowances and unutilised tax losses	**806,388**	**339,284**	**-**	**1,145,672**
Lease liabilities	**3,530,164**	**9,988**	**-**	**3,540,152**
Deferred income (grant)	**-**	**114,962**	**-**	**114,962**
Right-of-use assets	**(8,636,977)**	**220,329**	**2,821,771**	**(5,594,877)**
	3,395,811	**1,429,927**	**2,821,771**	**7,647,508**

2020

	Balance 01.01.20	Recognized in profit and loss 2020	Balance 31.12.20
	€	€	€
Property, plant and equipment	(1,431,387)	167,927	(1,263,460)
Provision for discounted future gratuity payments	17,018	856	17,874
Provision for doubtful debts	381,933	64,653	446,586
Provision for exchange fluctuations	(13,790)	10,550	(3,240)
Provision for volume discounts	-	3,212	3,212
Provision for impairment loss on property, plant and equipment	-	155,442	155,442
Investment tax credits	8,339,822	-	8,339,822
Unabsorbed capital allowances and unutilized tax losses	629,917	176,471	806,388
Lease liabilities	3,515,151	15,013	3,530,164
Right-of-use assets	(8,857,307)	220,330	(8,636,977)
	2,581,357	814,454	3,395,811

11 Deferred tax assets and liabilities (continued)

11.3 Recognition of deferred tax asset on investment tax credits

As at 31 December 2021, a deferred tax asset of €9,066,217 (2020: €8,339,822) was recognised in the financial statements to the extent of investment tax credits expected to be utilised in the future. Based on the Company's profit forecasts for the foreseeable period, and with reference to historical taxable profits and trading levels registered in the past years, the directors believe that the Company will have sufficient taxable profits in the future against which this deferred tax asset can be utilised.

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

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

The Directors of the Company have presented the performance measure adjusted EBITDA as they believe this measure is relevant to an understanding of the Company's financial performance. Adjusted EBITDA is calculated by adjusting the profit or loss for the year to exclude the impact of taxation, net finance cost, depreciation, amortisation and impairment losses on non-financial assets.

Adjusted EBITDA is not a defined performance measure in IFRS. The Company'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 for the year

	2021	2020
	€	€
Loss for the year	**(313,180)**	(633,965)
Tax income	**(1,429,927)**	(814,454)
Loss before tax	**(1,743,107)**	(1,448,419)
Adjustments for:		
Finance cost	**713,425**	812,907
Depreciation	**2,288,597**	2,511,853
Impairment loss on property, plant and equipment	**447,377**	444,120
Adjusted EBITDA	**1,706,292**	2,320,461

13 Property, plant and equipment

13.1

	Buildings	Plant and equipment	Furniture and fittings	Office and computer equipment	Motor vehicles	Cargo carrying units	Photovoltaic farm	Total
	€	€	€	€	€	€	€	€
Cost								
Balance at 01.01.20	12,769,191	6,315,992	989,135	728,410	405,379	1,484,544	3,838,204	26,530,855
Acquisitions	480,820	33,635	207,273	14,790	6,500	-	-	743,018
Disposals	-	-	-	-	(93,530)	-	-	(93,530)
Balance at 31.12.20	13,250,011	6,349,627	1,196,408	743,200	318,349	1,484,544	3,838,204	27,180,343
Balance at 01.01.21	**13,250,011**	**6,349,627**	**1,196,408**	**743,200**	**318,349**	**1,484,544**	**3,838,204**	**27,180,343**
Acquisitions	**-**	**165,375**	**4,373**	**-**	**-**	**-**	**103,082**	**272,830**
Disposals	**(3,250)**	**(46,713)**	**-**	**-**	**-**	**-**	**-**	**(49,963)**
Balance at 31.12.21	**13,246,761**	**6,468,289**	**1,200,781**	**743,200**	**318,349**	**1,484,544**	**3,941,286**	**27,403,210**
Depreciation								
Balance at 01.01.20	2,619,428	4,213,824	517,032	631,695	403,409	797,203	1,092,650	10,275,241
Charge for the year	257,717	364,613	97,035	37,600	2,647	148,454	198,740	1,106,806
Disposals	-	-	-	-	(93,530)	-	-	(93,530)
Impairment loss	-	-	384,995	59,124	-	-	-	444,119
Balance at 31.12.20	2,877,145	4,578,437	999,062	728,419	312,526	945,657	1,291,390	11,732,636

13 Property, plant and equipment (continued)

13.1 (continued)

	Buildings €	Plant and equipment €	Furniture and fittings €	Office and computer equipment €	Motor vehicles €	Cargo carrying units €	Photovoltaic farm €	Total €
Depreciation								
Balance at 01.01.21	**2,877,145**	**4,578,437**	**999,062**	**728,419**	**312,526**	**945,657**	**1,291,390**	**11,732,636**
Charge for the year	**266,201**	**341,404**	**33,629**	**14,781**	**1,625**	**74,227**	**151,683**	**883,550**
Disposals	**(23)**	**(44,769)**	**-**	**-**	**-**	**-**	**-**	**(44,792)**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**447,377**	**-**	**447,377**
Balance at 31.12.2021	**3,143,323**	**4,875,072**	**1,032,691**	**743,200**	**314,151**	**1,467,261**	**1,443,073**	**13,018,771**
Carrying amounts								
At 1 January 2020	10,149,763	2,102,168	472,103	96,715	1,970	687,341	2,745,554	16,255,614
At 31 December 2020	10,372,866	1,771,190	197,346	14,781	5,823	538,887	2,546,814	15,447,707
At 31 December 2021	**10,103,438**	**1,593,217**	**168,090**	**-**	**4,198**	**17,283**	**2,498,213**	**14,384,439**

13.2 The Company's buildings are constructed on land held under title of temporary emphyteusis from Malta Freeport Corporation Limited for a period up to 29 May 2045. On 5 December 2012, the Company entered into a lease agreement with Malta Freeport Corporation Limited which extended the right of use of the said land until 29 May 2060 (see note 23.1).

13 Property, plant and equipment (continued)

13.3 Impairment loss on property, plant and equipment

The impairment loss of €447,377 for the current year represents the write-down of the Company's cargo carrying units to their scrap value given their poor condition due to the damage sustained over the years. This impairment loss was recognised in the statement of profit or loss and other comprehensive income as "other expenses". The recoverable amount of these assets was determined using fair value less cost of disposal, the fair value measurement of which was categorised as a Level 3. Management estimated recoverable amount of these assets with reference to their scrap value. The recoverable amount of the impaired assets at reporting date stood at €17,283.

13.4 Security

At 31 December 2021, the Company's emphytheutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to note 23) were subject to a general hypothec and a special hypothec in relation to the notes issued by the Company's parent (refer to note 19).

14 Trade and other receivables

14.1

	2021	2020
	€	€
Trade receivables	**2,556,302**	5,099,021
Amounts due by parent	**5,232,353**	2,191,030
Amounts due by fellow subsidiaries	**6,145**	24,316
Other receivables	**292,529**	407,937
Prepayments	**693,092**	235,568
	8,780,421	7,957,872

14 Trade and other receivables (continued)

14.2 During the year, amounts due by fellow subsidiaries totalling to €2,037,050 (2020: €1,192,114) in relation to cash advances, debt assignments and/or expenses paid by Company on their behalf, were assigned to the parent company (see note 25).

14.3 The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 22.

14.4 Amounts due by parent and fellow subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 25 to these financial statements.

15 Cash and cash equivalents

15.1

	Note	2021 €	2020 €
Cash in hand		**38,813**	10,403
Cash at bank		**120,894**	171,883
Cash at bank and in hand		**159,707**	182,286
Bank overdrafts used for cash management purposes	19	**(2,294,760)**	(1,220,481)
Cash and cash equivalents at 31 December		**(2,135,053)**	(1,038,195)

15.2 The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

16 Capital and reserves

16.1 Share capital

	Ordinary shares 2021 No.	Ordinary shares 2020 No.
In issue at 1 January and 31 December - fully paid	**100,001**	100,001
	=====	======

The Company's authorised share capital comprised 500,000 ordinary shares of €2.329373 each (2020: 500,000 ordinary shares of €2.329373 each).

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

16 Capital and reserves (continued)

16.2 Parent company contribution

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

16.3 Statutory reserve

The statutory reserve is not distributable and comprises transfers of unrealised gains in accordance with the requirements of the Companies Act, 1995 (Chapter 386, Laws of Malta). As at 31 December 2021, the balance in this reserve represented the deferred tax asset recognised in respect of investment tax credits available to the Company as reporting date.

16.4 Revaluation reserve

This reserve relates to the revaluation, net of tax, of the right-of-use assets consisting of land held from emphyteutical grant (see note 23). The downward movement in the reserve comprise:

a. the release of depreciation amount, net of tax, on the revalued amount, amounting to €258,983 (2020: €258,983); and
b. decrease in fair value, net of tax, at reporting date amounting to €5,240,433 (2020: €nil) (see note 23).

16.5 Availability of reserves for distribution

	2021	2020
	€	€
Distributable	**-**	475,765
Non-distributable	**13,812,391**	18,584,098
	13,812,391	19,059,863

17 Deferred income

During 2012, the Company was awarded an extension of property rights over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. These property rights, which comprise land and the overlying buildings and facilities, emanate from the various emphyteutical grant deeds, a lease agreement as well as the operating licence issued by the Malta Freeport Corporation Limited to the Company. The award was conditional on the Company investing €9 million in improvements to the underlying property and reaching employment levels of 90 full time equivalents by the year 2045. On 5 December 2012, the Company entered into a lease agreement with Malta Freeport Corporation Limited which extended the right of use of the said land until 29 May 2060 (see note 23.1).

As at 31 December 2021, the deferred income arising from the favourable lease stood at €30,245,807 (2020: €31,021,340) and is being recognised in profit or loss over the remaining period of the emphyteutical grant. The amount recognised in this respect in 'other income' in the statement of profit or loss and other comprehensive income during 2021 amounts to €775,533 (2020: €775,533).

17 Deferred income (continued)

At reporting date deferred income also includes:

a. government grants amounting to €328,462 (2020: €319,312) in relation to the investment made in setting up a marine gas hub for a customer and investment in photovoltaic system. The related deferred income is being amortised over the estimated useful life of the respective assets and is recognised in 'other income' in the statement of profit or loss and other comprehensive income (see note 6.1); and
b. an advance payment of €54,000 (2020: €nil) from a customer for services that have not yet been provided.

18 Amounts due to parent company

As at 31 December 2020, amounts due to the parent company comprised an unsecured loan with an outstanding balance of €941,217, which was subject to a fixed interest of 4.50% and repayable by year 2026. During the current year, the outstanding loan balance was set-off in full against amounts owed by the parent company as a result of the related party receivables assigned to the parent company (refer to note 14.2).

Transactions with related parties are set out in note 25 to these financial statements.

19 Loans and borrowings

19.1 This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. Refer to note 22 for more information about the Company's exposure to interest rate and liquidity risk.

	2021	2020
	€	€
Non-current liabilities		
Secured bank loans	**3,811,252**	5,034,146
Current liabilities		
Secured bank loans	**1,235,449**	467,119
Bank overdrafts	**2,294,760**	1,220,481
Total loans and borrowings	**7,341,461**	6,721,746

19.2 Terms and debt repayment schedule

The terms and conditions of outstanding loans are as follows:

As at 31 December 2021

	Original currency	**Carrying amount**	**Nominal interest rate**	**Year of Maturity**
Bank loan	EUR	€281,696	Bank's base rate + 3.00%	2022
Bank Loan	EUR	€4,765,005	Fixed rate of 2.5% for first 2 years and variable thereafter at Bank's base rate + 3%	2026

19 Loans and borrowings (continued)

19.2 Terms and debt repayment schedule (continued)

As at 31 December 2020

	Original currency	Carrying amount	Nominal interest rate	Year of Maturity
Bank loan	EUR	€501,265	Bank's base rate + 3.00%	2022
Bank Loan	EUR	€5,000,000	Fixed rate of 2.5% for first 2 years and variable thereafter at Bank's base rate + 3%	2026

In 2020, the Company was granted a bank loan of €5 million from a local bank in relation to the Malta Development Bank ('MDB') COVID-19 Guarantee Scheme. This loan is guaranteed by MDB against a guarantee fee which ranges from 0.5% in year 1 up to 2% by year 6. In 2020, the Company was further provided a 12-month moratorium on loan capital repayments and a 6-month moratorium on interest. The loan matures on 30 September 2026, and has an annual interest rate which varies over the term of the loan. The interest rate ranges from a fixed fee of 2.5% per annum exclusive of a guarantee fee for the first two years, and a margin of 3% per annum inclusive of a guarantee fee chargeable over the bank's base rate for the remaining four years.

On loan origination, the Company determined that the interest rate for an equivalent loan issued on an arm's length basis without the guarantee would have been 5.35%. The Company concluded that the difference between the interest rate of 2.5%-3% and 5.35% relates to financial assistance provided by the government to compensate for interest expense that would otherwise be incurred if the loan were not guaranteed under the financial support scheme. This government assistance is recognised and measured as part of the unit of account in determining the fair value of the loan. There are no unfulfilled conditions or contingencies for the government assistance as at reporting date. Furthermore, the Company expects to also benefit from the MDB COVID-19 Interest Rate Subsidy Scheme (CIRSS), where all beneficiaries under the CGS are eligible for a grant of up to 2.5% on the interest on the loan for the initial two years of the loan. The interest refund is recognised in profit or loss when there is reasonable assurance that the grant will be received.

19.3 Security on bank loans and overdraft facilities

The bank loans and overdraft facilities are secured by:

a. second general hypothec for €7,500,000 on overdraft basis over all present and future assets;
b. second special hypothec for €7,500,000 on overdraft basis over temporary utile dominium of Medserv site and property of Malta Freeport;
c. guarantee for €12,270,000 given by the parent company to secure all liabilities of the Company;
d. first pledge and second pledge over a combined business policy for €8,568,381 and pledge of insurance cover over purchased equipment for €1,334,000;

19 Loans and borrowings (continued)

19.3 Security on bank loans and overdraft facilities (continued)

e. a letter of undertaking given by the shareholders that Mr Anthony J Duncan and Mr Anthony S Diacono will directly or indirectly retain control and hold more than 51% of the issued capital;
f. Guarantees for €2,699,574 given by the parent company;
g. a letter of undertaking by the parent company whereby it undertakes not to declare dividends or pay shareholders' loans without the bank's written consent and to maintain the present level control and interest in the Company;
h. First and third general hypothec for MDB loan of €5,000,000 over all present and future assets.

Furthermore, as at 31 December 2021, the Company enjoyed general overdraft facilities of €3,000,000 (2020: €3,000,000) at the following terms and conditions:

Bank overdraft	Nominal Interest rate
2021:	
€2,500,000	**5.35% (bank base rate + 3%)**
€500,000	**5.15% (bank base rate + 3%)**
2020:	
€2,500,000	5.35% (bank base rate + 3%)
€500,000	5.15% (bank base rate + 3%)

At 31 December 2021, the Company had unutilised bank overdraft facilities of €705,240 (2020: €1,779,519) and unutilised foreign exchange facility of €300,000 (2020: €300,000).

20 Provision

This provision relates to gratuities for the Company's obligation to effect ex-gratia payments to a number of its retiring employees according to the Collective Agreement with the employees' union at the end of the corresponding financial year.

21 Trade and other payables

21.1

	2021	2020
	€	€
Trade payables	**1,407,219**	631,265
Amounts due to related parties:		
Other related companies	**26**	3,420
Directors	**1,083**	10,837
Accruals	**450,960**	530,915
Other payables	**482,065**	-
	2,341,353	1,176,437

21.2 Amounts due to related parties are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 25 to these financial statements.

21.3 The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 22.

21.4 During the year, amounts due to fellow subsidiaries totalling to €46,092 (2020: €1,351,946) in relation to cash advances made to Company, were assigned to the parent company.

22 Financial instruments – Fair values and risk management

22.1 Accounting classifications and fair values

Accounting classifications

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

Measurement of fair values

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

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

22.1 Accounting classifications and fair values (continued)

Measurement of fair values (continued)

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

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

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

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

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

Amortised cost

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

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

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

Other financial liabilities

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

22.2 Financial risk management

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

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

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

22.2 Financial risk management

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

22.3 Risk management framework

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

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

The parent company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

22.4 Credit risk

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

Exposure to credit risk

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

		Carrying amount	
		2021	2020
Carrying amount	**Note**	**€**	€
Trade and other receivables and contract assets	5, 14	**8,150,640**	7,724,722
Cash at bank	15	**120,894**	171,883
		8,271,534	7,896,605

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

22.4 Credit risk (continued)

Exposure to credit risk

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

	2021	2020
	€	€
Impairment loss on trade receivables	**476,124**	308,689
Impairment loss on amounts receivable from related parties	**73,564**	-
Reversal of impairment loss on trade receivables	**(737,870)**	(51,050)
Amounts written off	**(81,074)**	-
	(269,256)	257,639

Trade receivables and contract assets

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

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

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

The Company's review includes external ratings, if they are available, financial statements, credit agency information and industry information.

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

As at 31 December 2021, the outstanding balance from the Company's two (2020: two) significant customers accounted for €2.44 million (2020: €5.03 million) of the trade receivables, gross of expected credit losses.

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

22.4 Credit risk (continued)

Trade receivables and contract assets (continued)

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

	Carrying amount	
	2021	2020
	€	€
Carrying amount		
Domestic	**522,125**	299,768
EU countries	**171,284**	241,596
Libya	**1,852,011**	4,584,371
UK	**74,193**	-
Other	**-**	1,866
	2,619,613	5,127,601

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

	2021	2020
	€	€
Not-credit impaired		
External credit ratings at least Baa3 from Standard & Poor' or BBB- from Moody's	**777,385**	1,675,788
Other customers:		
- Four or more years' trading history with the Company	**2,258,144**	4,340,144
- Less than four years' trading history with the Company	**485,088**	276,318
- Higher risk	**32,137**	111,310
Total gross carrying amount	**3,552,754**	6,403,560
Loss allowance	**(933,141)**	(1,275,959)
Carrying amount	**2,619,613**	5,127,601

Expected credit loss assessment for corporate customers

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

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

- Specific provisions for internally and externally rated customers.

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

22.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers (continued)

Loss rates are based on actual credit loss experience over the past 7 years (2020: 6 years). These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2021.

31 December 2021	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
		€	**€**	
Current (not past due) and <30 days past due	**3.37%**	**1,355,563**	**(45,743)**	**No**
Past due 31 to 60 days	**20.25%**	**104,595**	**(21,183)**	**No**
Past due 61 to 90 days	**20.30%**	**222,497**	**(45,164)**	**No**
Past due > 90 days	**45.24%**	**496,446**	**(224,576)**	**Yes**
		2,179,101	**(336,666)**	

31 December 2021 **Equivalent to external credit rating**	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
		€	**€**	
Externally rated				
A	**0.02%**	**571,728**	**(101)**	**No**
BB	**0.04%**	**200**	**(1)**	**No**
BBB	**0.05%**	**205,459**	**(107)**	**No**
Internally rated				
Equivalent to DDD/D	**100%**	**596,266**	**(596,266)**	**Yes**
		1,373,653	**(596,475)**	

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

22.4 Credit risk (continued)

Trade receivables and contract assets (continued)

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:

	2021	2020
	€	€
Balance at 1 January	**1,275,959**	1,018,320
Amounts written off	**(81,074)**	-
Net remeasurement of loss allowance	**(261,744)**	257,639
Balance at 31 December	**933,141**	1,275,959

The changes in the impairment loss allowance during 2021 was mainly brought by significant decrease in exposure at default at reporting date and changes in ageing of trade receivables which resulted in a decrease in impairment allowances of €261,744.

The amounts written off during the year relate to one customer who defaulted in paying the amounts due.

Cash at bank

At reporting date, the Company cash at bank stood at €120,894 (2020: €171,883). The cash at bank are held with financial institutions which are rated A1 to BBB-, based on ratings 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 Company considers that its cash at bank has low credit risk based on the external credit ratings of the counterparties.

	At amortised cost	
	2021	2020
	€	€
A1	**17,221**	-
A2	**-**	21,442
BBB-	**103,673**	-
BBB2	**-**	150,441
Gross carrying amounts	**120,894**	171,883
Loss allowance	**-**	-
Carrying amount	**120,894**	171,883

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

22.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company regularly reviews the costing of its services in its effort to monitor its cash flow requirements. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the next 60 days, including the servicing of financial obligations. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

22.5 Liquidity risk (continued)

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

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	5-10 years	More than 10 years
	€	€	€	€	€	€	€
31 December 2021							
Non-derivative financial liabilities							
Secured bank loans	**5,046,701**	**(5,389,486)**	**(1,357,542)**	**(1,076,621)**	**(2,955,323)**	**-**	**-**
Bank overdraft	**2,294,760**	**(2,417,530)**	**(2,417,530)**	**-**	**-**	**-**	**-**
Lease liability	**10,114,720**	**(26,960,750)**	**(528,515)**	**(555,614)**	**(1,666,841)**	**(3,018,096)**	**(21,191,684)**
Trade and other payables	**2,341,353**	**(2,341,353)**	**(2,341,353)**	**-**	**-**	**-**	**-**
	19,797,534	**(37,109,119)**	**(6,644,940)**	**(1,632,235)**	**(4,622,164)**	**(3,018,096)**	**(21,191,684)**
31 December 2020							
Non-derivative financial liabilities							
Amounts due to parent company	941,217	(1,150,496)	(41,493)	(41,493)	(124,535)	(942,975)	-
Secured bank loans	5,501,265	(6,053,349)	(637,735)	(1,378,258)	(3,229,862)	(807,494)	-
Bank overdraft	1,220,481	(1,285,778)	(1,285,778)	-	-	-	-
Lease liability	10,086,182	(27,489,265)	(528,515)	(528,515)	(1,666,841)	(2,941,445)	(21,823,949)
Trade and other payables	1,176,437	(1,176,437)	(1,176,437)	-	-	-	-
	18,925,582	(37,155,325)	(3,669,958)	(1,948,266)	(5,021,238)	(4,691,914)	(21,823,949)

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

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

22.6 Market risk

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

22.6.1 Currency risk

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

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

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

Exposure to Currency risk

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

	31 December 2021	31 December 2020
	USD	USD
Trade and other payables	**(49,293)**	-
Funds in foreign currency	**39,150**	15,168
Net exposure	**(10,143)**	15,168

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2021	2020	**2021**	2020
USD	**1.1827**	1.1422	**1.1326**	1.2271

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

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Exposure to Currency risk (continued)

A 10 percent strengthening of the Euro against the following currencies at 31 December would have increased / (decreased) profit or loss and equity by the pre-tax amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit or loss	Equity
	€	**€**
31 December 2021		
USD	**1,014**	**1,014**
31 December 2020		
USD	(1,517)	(1,517)

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.

22.6.2 Interest rate risk

Profile

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

	Carrying amount	
	2021	2020
	€	€
Variable rate instruments		
Financial assets	**120,894**	171,883
Financial liabilities	**(7,341,461)**	(6,721,746)
Fixed rate instruments		
Financial liabilities	**-**	(941,217)

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

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

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

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

A change of 100 basis points in interest rates at the reporting date, would have increased/(decreased) profit or loss (and equity) by the pre-tax amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2020.

A change of 100 basis points in interest rates on variable rate instruments would have increased or decreased the Company's profit and loss and equity by €72,206 (2020: €65,499).

22.7 Operational risk

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

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

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

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

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

22.8 Capital management

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

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

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

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

23 Leases

23.1 As a lessee

The Company leases a quay, premises and ancillary facilities at Malta Freeport, Kalafrana and premises at Hal Far Industrial Estate under separate operating leases. The lease at Malta Freeport, Kalafrana runs for a period of 47.5 years from 5 December 2012. This lease has been granted to the Company under title of temporary emphyteusis. The lease at Hal Far Industrial Estate runs for a period of ten years from 20 October 2014 with the option exercisable by the Company to extend the lease for three further periods of 10 years each.

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

23.1.1 Right-of-use assets

		Land	
		2021	2020
	Note	**€**	€
Balance at 1 January		**55,698,421**	57,103,468
Depreciation charge for the year		**(1,405,047)**	(1,405,047)
Revaluation decrease	23.1.1.1	**(8,062,204)**	-
Balance at 31 December		**46,231,170**	55,698,421

23 Leases (continued)

23.1 As a lessee (continued)

23.1.1 Right-of-use assets (continued)

23.1.1.1 Revaluation of right-of-use assets

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

At reporting date, the directors estimated the fair value less cost of disposal of the right-of-use assets at €46.2 million. This resulted in a revaluation decrease of €8,062,204 (gross of tax) which was recognised in other comprehensive income in the statement of profit or loss and other comprehensive income. The related tax element amounting to €2,821,771 (see note 10) was also recognised in other comprehensive income.

The fair value of the right-of-use assets was determined by the directors with reference to a valuation report prepared by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was carried out on the basis that the right-of-use assets could be sold at the measurement date together with any existing obligations. The determination of fair value considers publicly available data and comparable recent market transactions on an arm's length basis, together with the analysis and experience of the local real estate market and information provided by the Company.

The directors are of the view that there still remains uncertainty as to the long-term effects of the COVID-19 pandemic which could result in adverse market movements with a consequential effect on the fair value of the right-of-use assets. As a result of this, the assumptions may need to be revised significantly in 2022.

23.1.1.2 Measurement of fair value

The fair value measurement of the property rights has been categorised as Level 3 fair value based on the inputs to the valuation techniques used. The following table shows the valuation technique used in measuring the fair value of land held from emphyteutical grant, as well as the significant unobservable inputs used.

23 Leases (continued)

23.1 As a lessee (continued)

23.1.1 Right-of-use assets (continued)

23.1.1.2 Measurement of fair value (continued)

23.1.1.3 Revaluation of property rights over land held from emphyteutical grant

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparative method: The valuation model provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This technique applies an estimated selling price per sqm to plot area in order to arrive at a freehold value. The selling price is based on comparable market rates adjusted for location, size and quality. The leasehold value is then derived from the freehold value by considering the discount rate and inflationary rate for the relevant lease period. Discount rate was derived from market data on sovereign and rental yields. The inflationary rate was derived from forecasts by international institutions.	Prices per square metre ranging from €156 to €1,126	The estimate fair value would increase (decrease) if price per square metre were higher (lower)
	Discount rate of 5.7%	The estimate fair value would increase (decrease) if discount rate were higher (lower)
	Inflationary rate of 2.4%	The estimate fair value would increase (decrease) if inflationary rate were lower (higher)
	The inflationary rate may impact the discount rate with higher inflation resulting in a higher discount rate, and *vice versa.*	

23.1.1.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the carrying amount of the right-of-use assets:

	2021
	€
Shift in prices per sqm (+ / - 10%)	**+/- 4,438,304**
Shift in discount rate (+ / - 50 basis points)	**+ 3,071,893 / - 3,706,105**
Shift in inflationary rate (+ / - 25 basis points)	**- 1,821,015 / + 1,660,997**

23 Leases (continued)

23.1 As a lessee (continued)

23.1.2 Lease liabilities

	2021	2020
	€	€
Maturity analysis-contractual undiscounted cash flows		
Less than one year	**528,515**	528,515
One to five years	**2,222,454**	2,195,356
Five years to ten years	**3,018,096**	2,941,445
More than ten years	**21,191,685**	21,823,949
Total undiscounted lease liabilities at 31 December	**26,960,750**	27,489,265
Non-current lease liabilities included in the statement of financial position at 31 December	**10,114,720**	10,086,182

Amounts recognised in the statement of profit or loss and other comprehensive income

	2021	2020
	€	€
Interest on lease liabilities	**(572,043)**	(567,760)
Variable lease payments not included in the measurement of lease liabilities	**(53,040)**	(54,100)

Amounts recognised in the statement of cash flows

	2021	2020
	€	€
Total cash outflow for leases	**(543,505)**	(524,868)

23.1.3 Extension option

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

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

24 Contingencies

At reporting date, the Company had given guarantees and cash collateral to the Company's bankers in favour of third parties amounting to €242,854 (2020: €106,854).

25 Related parties

25.1 Parent and ultimate controlling party

The Company is a subsidiary of MedservRegis p.l.c. (the "parent company"), the registered office of which is situated at Port of Marsaxlokk, Birzebbugia, Malta. The parent company is a public limited liability company incorporated in Malta and listed on the Malta Stock Exchange. Following the share for share exchange between the parent company and Regis Holdings Limited, which was completed on 25 June 2021, 49.995% of the issued share capital of the parent company were acquired by DOCOB Limited with registered office at C/o Oak Management (Mauritius) Limited, 1st Floor, Block B, Ruisseau Creole Complex La Mivoie, Black River, 90625, Mauritius. DOCOB Limited is ultimately owned by David S. O'Connor and Olivier Bernard. Three of the parent company's directors, namely David S. O'Connor, Olivier Bernard and Anthony S. Diacono hold 27.99%, 21.99% and 14.2% respectively of the issued share capital of the parent company either directly or indirectly.

The parent company prepares the consolidated financial statements of the Group of which the Company forms part. These financial statements are filed and are available for public inspection at the Malta Business Registry.

25 Related parties (continued)

25.2 Identity of other related parties

The Company has a relationship with a number of fellow subsidiaries forming part of the MedservRegis p.l.c. group of companies ("fellow subsidiaries") as well as an associate owned by the parent company ("associate"). It also has a relationship with its directors ("key management personnel"), and an immediate relative of one of the directors and companies owned and controlled by one of its directors ("other related parties").

25.3 Transactions with key management personnel

There were no loans to directors during the current and comparative year. Compensation for services provided to the Company by key management personnel or entities under their control during the year amounted to €137,443 (2020: €112,437). In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers.

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

25.4 Related party transactions

The following transactions were conducted during the year:

	2021	2020
	€	€
Parent company		
Advances to	**2,408,432**	2,933,008
Interest charged by	**10,284**	109,263
Assignment of receivable balances due from fellow subsidiaries	**1,990,958**	1,266,767
Cash settlements/advances by	**1,622,067**	1,106,441
Expenses recharged to	**1,215,500**	662,906
Fellow subsidiaries		
Advances to	**901,456**	2,521,070
Transfer of property, plant and equipment	**103,082**	-
Payment of expenses on behalf of	**1,564,601**	2,598,422
Cash settlements/advances by	**489,852**	-
Services provided by	**-**	13,255
Assignment of receivable balances to parent company	**2,037,050**	1,192,114
Assignment of payable balances to parent company	**46,092**	1,351,946
Associate		
Expenses paid by Company on behalf of	**73,564**	-
Other related parties		
Services provided by	**137,443**	112,437
Repayments to	155,195	104,253
Key management personnel		
Expenses paid by Company on behalf of	**76,206**	51,429
Repayments by	**66,716**	52,851

25 Related parties (continued)

25.5 Related party balances

Information on amounts due from / to related parties is set out in notes 14, 18 and 21 to these financial statements.

26 Subsequent events

On 24 February 2022, Russia invaded Ukraine, marking a steep escalation of the Russia-Ukrainian war. In response, multiple jurisdictions including the EU have imposed a number of economic sanctions on Russia. The war in Ukraine takes place at a time of significant global economic uncertainty and volatility and the effects are likely to interact with and exacerbate the effects of current market conditions. Many sectors and jurisdictions are already facing the impacts of rising commodity prices and increased raw material costs as a result of surging consumer demand as the COVID-19 pandemic eases. The disruption in the global supply chain arising from the effects of the pandemic continue to persist and may be significantly exacerbated by the wider effects of the war in Ukraine, increasing inflationary pressures and weaking the global post-pandemic recovery.

The Company does not have any customers and operations or significant reliance on Russia, Ukraine, or neighbouring countries. The directors are closely monitoring the possible impact on the Company's operations and financial performance and is committed to take all necessary steps to mitigate any impact. Currently there is no impact on the financial statements of the Company as at date of approval.

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 Operations Limited

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medserv Operations Limited (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

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

Basis for opinion

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

KPMG

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 Operations Limited

Other information

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 Operations Limited

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Operations Limited

2 Report on Other Legal and Regulatory Requirements

Opinion on the Directors' Report

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

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

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

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements; and

- we have not identified material misstatements in the Directors' Report.

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 Operations Limited

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

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

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

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

J Axiaq

KPMG
Registered Auditors

29 April 2022