ANNUAL REPORT & FINANCIAL STATEMENTS 2011

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Company Registration Number: C 28847

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and Other Statutory Reports

Medserv has good reason to look to the future with confidence.

As reported in the last company statement issued in November 2011, demand for the company's services increased during the second half of the year. This was in marked contrast with the company's experience during the first half of the year when the hostilities in Libya had a direct effect on the company, and especially on our operation in Misurata.

During that period all activities at the Misurata base stopped. None of our Libyan employees were lost during the conflict, but our warehouse in the port area which is owned by the Misurata Free Zone Authority was damaged. On the other hand none of our client's material and equipment stored in the Misurata facility was damaged or stolen.

During the early part of the conflict, Medserv Malta was heavily involved in the evacuation of personnel from rigs operating in Libyan waters whilst at the same time continuing to provide other emergency services to customers. In addition the company assisted our Libyan employees and the City of Misurata by making available our facilities in Malta for humanitarian aid, for which neither the Company nor its employees made any charge.

In the second half of the year Medserv was awarded contracts in connection with the restarting of oil and gas production in Libya. These were conducted using the Malta base and contributed to the increased earnings in the last few months of the year under review.

As also reported in the Company's last statement, the Cyprus subsidiary has been registered. Since then intensive discussions have been held with the Cypriot authorities and the company has been allocated an area in the port of Limassol from which we intend to carry out operations in support of the upcoming exploration programme in the area.

As regards Sicily the company is still awaiting the lifting of the freeze on all offshore exploration activity imposed by the Italian authorities following the BP incident in the Gulf of Mexico. We expect that this ban will be lifted during the second half of 2012.

In total during 2011 the company has continued to consolidate its position in the Mediterranean area. The Company has a proven track record, professional management, and increasing market reach. The new geopolitical situation being played out in the Mediterranean region points to it being a high activity zone for fossil fuel exploration for the foreseeable future. Medserv has good reason to look to the future with confidence.

Finally my statement would not be complete without expressing thanks to all our staff who together with the Company went through an extraordinary period in the earlier part of the year. Their support was very helpful to management and much appreciated.

Anthony S Diacono
CHAIRMAN

21 March 2012

The directors present their report, together with the financial statements of Medserv p.l.c. (the “Company”), for the year ended 31 December 2011.

Board of directors

Anthony S Diacono

Anthony J Duncan

Johannes Jacobus van Leeuwen

Joseph F X Zahra

David Roberts

Principal activities

The principal activities of the Group, consist of providing services and support to the offshore oil and gas industry operating mainly in the Mediterranean basin with a focus on the industry’s activities in North Africa.

Review of business development and financial position

Group revenue declined from €11,716,349 generated in year 2010 to €9,204,373 in the year under review. This was mainly attributable to the unrest in North Africa, particularly, Libya. The temporary closing of the Medserv Misurata base also caused a reduction in business however the Group continued to reduce costs wherever possible and this led to a significant increase in margins. As a consequence, the Group achieved an operating result of €1,495,462 before charging depreciation. After charging depreciation amounting to €398,167, net finance costs amounting to €86,379 and its share of loss of the jointly-controlled entity, amounting to €3,228, the Group registered a profit before tax of €1,007,688. Profit after accounting for taxation amounted to €816,594.

As at 31 December 2011, the Group and the Company reported a positive short term liquidity position of €1,416,502 and €3,544,538, respectively. Total assets of the Group and the Company exceeded total liabilities as at 31 December 2011 by €8,624,251 and €3,887,671, respectively.

Future outlook
A review of the business of the Group during the current year, events which took place since the end of the accounting period and an indication of likely future developments are given in the Chairman's statement.

Dividends
The directors recommend the payment of a final dividend of €300,000.

Reserves
During the year, transfers from statutory reserve to retained earnings amounted to €207,740 in accordance with the requirements of the Companies Act, 1995.

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

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

Disclosure in terms of the Listing Rules Pursuant to Listing Rule 5.64
Share capital structure:
The Company's authorised share capital is four million six hundred and fiftyeight thousand and seven hundred and forty euro (€4,658,740) divided into twenty million ordinary shares of €0.232937 per share. The Company's Issued share capital is two million three hundred and twentynine thousand and three hundred and seventy euro (€2,329,370) divided into ten million ordinary shares of €0.232937 per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank pari passu between themselves.

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

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

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

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

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

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

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

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

The Listing Rules may be viewed on the official website of the Listing Authority - www.mfsa.com.mt;

Holdings in excess of 5% of the share capital:
On the basis of the information available to the Company as at 31 December 2011, the following persons hold 5% or more of its issued share capital:

Malampaya Investments Limited	37.5%	(3,750,000 shares)
Anthony S Diacono	37.5%	(3,750,000 shares)
Charts Investment Management Service Ltd (for the benefit of clients)	8%	(808,034 shares)
HSBC Bank Malta p.l.c. (for the benefit of clients)	6.6%	(663,990 shares)

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

Appointment/Replacement of Directors

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

(a) Any shareholder/s who, in the aggregate, holds not less than 50,000 shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a director of the Company. The directors themselves or a committee thereof may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

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

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

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

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

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

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

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

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

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

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

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

Amendment to the Memorandum and Articles of Association

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

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

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

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

Board members' powers

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

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

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

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

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

Save as otherwise disclosed herein, the provisions of Listing Rules 5.64.2, 5.64.4 to 6.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

Pursuant to Listing Rule 5.70.2

Company Secretary:
Dr Louis de Gabriele LL.D.

Registered Office of Company:
Port of Marsaxlokk
Birzebbugia
Malta

Telephone:
(+356) 2220 2000

Approved by the Board of Directors on 21 March 2012 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Port of Marsaxlokk
Birzebbugia
Malta

Statement of the Directors pursuant to Listing Rule 5.68

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

Signed on behalf of the Board of Directors on 21 March 2012 by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Directors' Statement of Compliance with the

CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

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

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the directors strongly believe that such practices are in the best interests of the Company and its shareholders and that compliance with principles of good corporate governance is not only expected by investors but also evidences the directors' and the Company's commitment to a high standard of governance.

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

Part 1: Compliance with the Code

Principle 1: The Board

The Board's principal purpose is to provide the required leadership of the Company, to set the present and future strategy of the Company and to ensure proper oversight and accountability. The Board currently comprises five directors, three of which are non-executive. All of the directors were elected by the shareholders in the annual general meeting.

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

The Board delegates specific responsibilities to an audit committee and to a financial risk committee. Further details in relation to the said committees and the responsibilities of the Board are found in Principles 4 and 5 of this Statement.

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

Principle 2: Chairman and Chief Executive

The Chairman of the Company leads the board and sets its agenda. In addition, the Chairman of the Company ensures that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company and that effective communication with shareholders is maintained. The Chairman also encourages active engagement by all directors for discussion of complex or contentious issues.

Principle 3: Composition of the Board

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

During the period under review, the Board consisted of 2 executive directors and 3 non-executive directors. All 3 non-executive directors, Mr Joseph FX Zahra, Mr Johannes Jacobus van Leeuwen and Professor David Roberts are considered to be independent within the meaning provided by the Code.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development.

Principle 5: Board Meetings

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

No. of Meetings held: 4

Member	**No. of meetings attended:**
Anthony S. Diacono	4
Anthony Duncan	4
Joseph F.X. Zahra	4
Johannes Jacobus van Leeuwen	1
David Roberts	2

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

Board Committees

Audit Committee

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

The Audit Committee is currently composed of Mr Joseph F.X. Zahra (non-executive director and Chairman of the Audit Committee), Prof David Roberts (non-executive director), Mr Anthony Duncan (executive director) and Mr Johannes Jacobus van Leeuwen (non-executive director). During 2011, the Audit Committee met four times.

No. of Meetings held: 4

Member	**No. of meetings attended:**
Mr Joseph F.X. Zahra	4
Prof David Roberts	3
Mr Anthony Duncan	4
Mr Johannes Jacobus van Leeuwen	1

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

Financial Risk Management Committee

The Board has set up a Financial Risk Management Committee composed of Mr Anthony Duncan (executive director), Mr Karl Bartolo (Financial Controller) and Mr Colin Galea (Chief Accountant). The said Committee was set up with a view to manage the Group's currency, interest rates, liquidity and funding risks and to managing the group's own financial investments. The Committee operates under specific terms of reference approved by the Board.

During 2011, the Financial Risk Management Committee met 3 times.

No. of Meetings held: 3

Member	**No. of meetings attended:**
Mr Anthony Duncan	3
Mr Karl Bartolo (Financial Controller)	3
Colin Galea (Chief Accountant)	1*

*The reason for Mr Colin Galea's absence from the previously held two meetings is that, at the time, he was not employed by the Group.

Senior executive management

The Company's current organisational structure contemplates the role of a Chief Operating Officer, a position which is occupied by Mr Godwin Borg. Mr Borg's role is to head the executive team dealing with all group operations and to ensure the implementation of Board policies. In addition the operations in Libya are headed by Mr Godfrey Attard, General Manager Libya who reports directly to the Chief Operating Officer in Malta. The Financial Controller of the Medserv group of companies (the "Group") is Mr. Karl Bartolo. He is responsible for the preparation of the financial statements of the Group, for the accounts and administration division of the Group and forms part of the strategic team of the Group.

Principle 6: Information and Personal Development

The Board appoints the Chief Operating Officer who continues to enjoy its full support and confidence. Appointments and changes to senior management are approved by the Board. The Board actively considers the professional and technical development of all senior management. Board meetings are set well in advance of their due date and each director is provided with detailed Board papers relating to each agenda item. Management prepares detailed reviews for each Board meeting covering all aspects of the Company's business.

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

The Board has discussed and implemented a number of measures aimed at obtaining a succession plan with respect to the executive directors and members of the senior executive management.

Principle 7: Evaluation of the Board's Performance
With respect to the year under review, the Board undertook an evaluation of its own performance, the Chairman's performance and that of its Committees. The Board did not *per se* appoint a Committee to carry out this performance evaluation, but the evaluation exercise was conducted through a questionnaire, copies of which were sent to the Chairman of the Audit Committee.

Principle 8: Committees

Remuneration Committee

As is permitted in terms of provision 8.A.2 of the Code, on the basis of the fact that the remuneration of the directors is not performance-related, the Company has not set up a Remuneration Committee. The functions which would otherwise be carried out by such Committee are carried out by the Board.

Principle 9: Relations with Shareholders and with the Market

Principle 10: Institutional Investors
The Board is of the view that over the period under review, the Company has communicated effectively with the market through a number of company announcements that it published informing the market of significant events happening within the Company.

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

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

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

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

Principle 11: Conflicts of Interest
The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which

allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

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

During the Libya conflict, the Group participated actively in humanitarian reliefs organised by SOS Malta. It made available its Malta base to SOS Malta for the purpose of assisting in the humanitarian relief job in respect of Misurata, Libya and Tunisia. The Company warehoused at its Malta base twenty 40ft containers laden with necessities such as blankets, food and other supplies. The Group's employees, supported by the Red Cross, the Armed Forces and numerous other volunteers, unloaded the ships, palletised the goods and stored them, ready for transhipment on smaller boats to the Misurata port in Libya. The Company also supported a Libyan charity setup to aid victims of war.

The Company promotes open communication with its workforce, responsibility and personal development. The Company maintains a staff development programme aimed at providing training to staff to assist their development with an aim to improve the Company's competitiveness and efficiency. The Group was also mindful of its employees in Libya and ensured that all its Maltese employees in Libya were evacuated from Libya as soon as the conflict broke out. It also used all measures possible to safeguard its Libyan employees in Misurata, the majority of which were reintegrated into their positions once the tension in Libya eased.

Part 2: Non-Compliance with the Code

Principle 2 – Chairman and Chief Executive

In terms of the Code, it is recommended that the position of the Chairman and of the Chief Executive Officer be occupied by different individuals with clear divisions of responsibilities. In the event that the positions are occupied by the same individual, it is further recommended that the Company explains to the market, by way of company announcement, the reason for the two roles being combined. Mr Anthony Diacono is the Chairman of the Company and a significant shareholder of the Company. Whilst Mr Diacono occupies an executive role within the Group, such position is not specifically designated as being Chief Executive Officer – the executive management of the Company is collectively vested in Mr Anthony Diacono, Mr Anthony Duncan and Mr Godwin Borg (Chief Operating Officer), each of which report directly to the Board of directors. Furthermore, the Board has not appointed one of the independent non-executive directors to be the senior independent director.

Principle 8B (Nomination Committee)

Pursuant to the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). Any shareholder/s who in the aggregate hold not less than 50,000 shares having voting rights in the Company is entitled to nominate a fit and proper person for appointment as a director of the Company. Furthermore, in terms of the Memorandum and Articles of Association of the Company, the directors themselves are entitled to make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

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

Code Provision 9.3

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

Internal Control

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

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

Organisation

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

Control environment

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

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

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

Risk identification

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

Listing Rule 5.97.5

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

General Meetings and Shareholders' Rights

Conduct of general meetings

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

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

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

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

(i) the Chairman of the meeting; or

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

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

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

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

Proxy

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

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

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

Including items on the agenda

A shareholder or shareholders holding not less than 5% of the issued share capital may include items on the agenda of the general meeting and table draft resolutions for

items included on the agenda of a general meeting. Such right must be exercised by the shareholder at least 46 days before the date set for the general meeting to which it relates.

Questions

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

Electronic voting

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

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

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

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

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

Remuneration Statement

Remuneration Policy – Senior Executives

The Board determines the framework of the overall remuneration policy and individual remuneration arrangements for its senior executives. The Board considers that these remuneration packages reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the Company. During the current year under review there have been no significant changes in the Company's remuneration policy and no significant changes are intended to be effected thereto in the year ahead. The terms and conditions of employment of each individual within the executive team are set out in their respective indefinite contracts of employment with the Company. None of these contracts contain provisions for termination payments and other payments linked to early termination. The Company's senior executives may be paid by a bonus by the Company – the payment and extent of payment of such bonus is entirely at the discretion of the Board. Moreover, share options and profit-sharing are currently not part of the Company's remuneration policy.

The Company has opted not to disclose the amount of remuneration paid to its senior executives on the basis that it is commercially sensitive.

Remuneration Policy – Directors

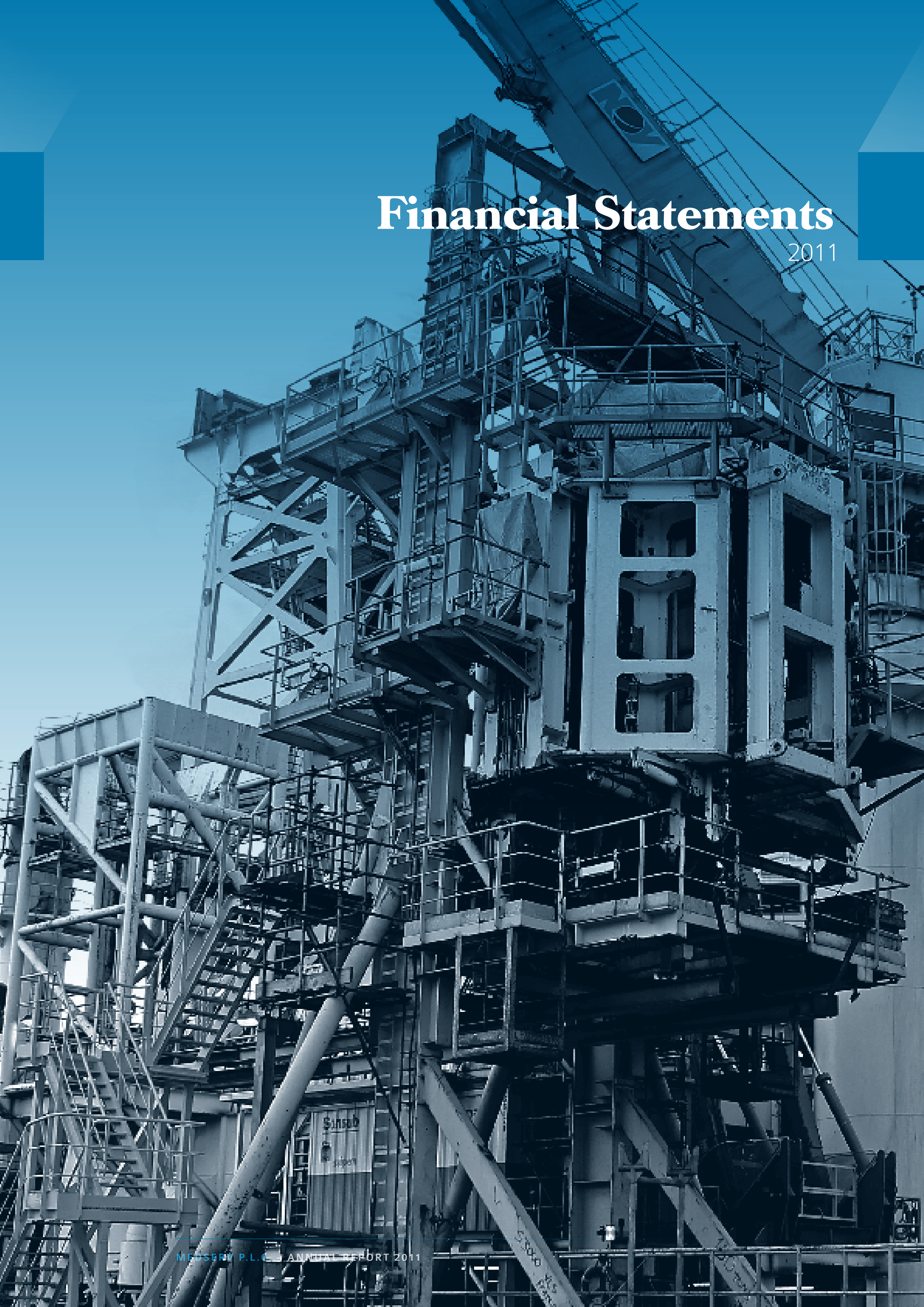
The Board of directors determines the framework of the remuneration policy for the members of the Board as a whole. The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in general meeting. The financial statements disclose an aggregate figure in respect of the directors' remuneration which with respect to the period under review amounted to €237,132 (entirely representing a fixed remuneration). Directors' emoluments are designed to reflect the directors' knowledge of the business and time committed to the Company's affairs. The remuneration of the directors is not performance-related.

Signed on behalf of the Board of Directors
on 21 March 2012 by:

Joseph F X Zahra
CHAIRMAN OF AUDIT COMMITTEE

Financial Statements

2011



Directors' Responsibility for the Financial Statements

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

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

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

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

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

Signed on behalf of the Board of Directors by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Statements of Financial Position

AS AT 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**€**	€	**€**	€
ASSETS					
Property, plant and equipment	13	**4,335,768**	4,517,287	**-**	-
Investments in subsidiaries	14	**-**	-	**343,133**	343,133
Investment in jointly-controlled entity	15	**1,772**	5,000	**-**	-
Deferred tax assets	16	**3,546,130**	3,775,608	**-**	-
Total non-current assets		**7,883,670**	**8,297,895**	**343,133**	**343,133**
Current tax asset		**-**	83,851	**-**	83,851
Trade and other receivables	17	**4,998,567**	4,051,273	**3,579,388**	3,269,972
Cash at bank and in hand	23	**334,615**	947,356	**1,290**	4,928
Total current assets		**5,333,182**	5,082,480	**3,580,678**	3,358,751
Total assets		**13,216,852**	13,380,375	**3,923,811**	3,701,884

The notes on pages 31 to 62 are an integral part of these financial statements.

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**€**	€	**€**	€
EQUITY					
Share capital	18	2,329,370	2,329,370	2,329,370	2,329,370
Reserves	18	3,559,171	3,766,911	-	-
Retained earnings		2,267,111	1,598,013	1,558,301	1,316,038
Total equity attributable to equity holders of the Company		8,155,652	7,694,294	3,887,671	3,645,408
Non-controlling interest		468,599	413,363	-	-
Total equity		8,624,251	8,107,657	3,887,671	3,645,408
LIABILITIES					
Loans and borrowings	20	647,732	830,031	-	-
Provisions	21	28,189	32,266	-	-
Total non-current liabilities		675,921	862,297	-	-
Current tax payable		30,932	77,352	-	-
Loans and borrowings	20	1,144,428	881,617	-	-
Trade and other payables	22	2,741,320	3,451,452	36,140	56,476
Total current liabilities		3,916,680	4,410,421	36,140	56,476
Total liabilities		4,592,601	5,272,718	36,140	56,476
Total equity and liabilities		13,216,852	13,380,375	3,923,811	3,701,884

The notes on pages 31 to 62 are an integral part of these financial statements.

The financial statements on pages 24 to 62 were approved and authorised for issue by the Board of Directors on 21 March 2012 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**€**	€	**€**	€
CONTINUING OPERATIONS					
Revenue	7	**9,204,373**	11,716,349	**600,000**	959,720
Cost of sales		**(6,910,658)**	(10,057,087)	**-**	-
Gross profit		**2,293,715**	1,659,262	**600,000**	959,720
Other income	8	**140,354**	269,808	**-**	-
Administrative expenses	9	**(1,202,627)**	(1,585,014)	**(69,482)**	(90,830)
Other expenses	9	**(134,147)**	(218,684)	**-**	-
Results from operating activities		**1,097,295**	125,372	**530,518**	868,890
Finance income	11	**477**	4,260	**-**	418
Finance costs	11	**(86,856)**	(97,345)	**-**	-
Net finance (costs)/income	11	**(86,379)**	(93,085)	**-**	418
Share of loss of jointly-controlled entity (net of tax)	15	**(3,228)**	-	**-**	-
Profit before income tax		**1,007,688**	32,287	**530,518**	869,308
Tax (expense)/income	12	**(191,094)**	82,891	**11,745**	(140,670)
Profit for the year		**816,594**	115,178	**542,263**	728,638
Profit/(loss) attributable to:					
Owners of the Company		**761,358**	118,850	**542,263**	728,638
Non-controlling interest		**55,236**	(3,672)	**-**	-
Profit for the year		**816,594**	115,178	**542,263**	728,638
Total comprehensive income for the year		**816,594**	115,178	**542,263**	728,638
Earnings per share					
Basic earnings per share	19	**7c6**	1c2	**5c4**	7c3

The notes on pages 31 to 62 are an integral part of these financial statements.

Statements of Changes in Equity - The Group

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the Company						
	Share capital	Legal reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2010	2,329,370	60,000	3,613,693	2,922,381	8,925,444	657,206	9,582,650
Total comprehensive income for the year							
Profit for the year	-	-	-	118,850	118,850	(3,672)	115,178
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	(1,350,000)	(1,350,000)	(240,171)	(1,590,171)
Transfer from retained earnings	-	-	93,218	(93,218)	-	-	-
Balance at 31 December 2010	2,329,370	60,000	3,706,911	1,598,013	7,694,294	413,363	8,107,657
Balance at 1 January 2011	**2,329,370**	**60,000**	**3,706,911**	**1,598,013**	**7,694,294**	**413,363**	**8,107,657**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	**761,358**	**761,358**	**55,236**	**816,594**
Contributions by and distributions to owners							
Dividends to equity holders	**-**	**-**	**-**	**(300,000)**	**(300,000)**	**-**	**(300,000)**
Transfer from retained earnings	**-**	**-**	**(207,740)**	**207,740**	**-**	**-**	**-**
Balance at 31 December 2011	**2,329,370**	**60,000**	**3,499,171**	**2,267,111**	**8,155,652**	**468,599**	**8,624,251**

The notes on pages 31 to 62 are an integral part of these financial statements.

Statements of Changes in Equity - The Company

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Retained earnings	Total equity
	€	€	€
Balance at 1 January 2010	2,329,370	1,937,400	4,266,770
Total comprehensive income for the year			
Profit for the year	-	728,638	728,638
Contributions by and distributions to owners			
Dividends paid to equity holders	-	(1,350,000)	(1,350,000)
Balance at 31 December 2010	2,329,370	1,316,038	3,645,408
Balance at 1 January 2011	**2,329,370**	**1,316,038**	**3,645,408**
Total comprehensive income for the year			
Profit for the year	**-**	**542,263**	**542,263**
Contributions by and distributions to owners			
Dividends paid to equity holders	**-**	**(300,000)**	**(300,000)**
Balance at 31 December 2011	**2,329,370**	**1,558,301**	**3,887,671**

The notes on pages 31 to 62 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Cash flows from operating activities				
Profit for the year	**816,594**	115,178	**542,263**	728,638
Adjustments for:				
Depreciation	**398,167**	748,112	**-**	-
Dividends receivable	**-**	-	**(600,000)**	(959,720)
Tax expense/(income)	**191,094**	(82,891)	**(11,745)**	140,670
Bad debts written off	**-**	42,436	**-**	-
Reversal of impairment loss on trade receivables	**-**	(42,436)	**-**	-
Provision for exchange fluctuations	**(131,888)**	218,684	**-**	-
Provision for discounted future gratuity payments	**(4,074)**	1,189	**-**	-
Interest payable	**86,856**	97,345	**-**	-
Interest receivable	**(477)**	(4,260)	**-**	(418)
Gain on sale of plant and equipment	**(8,466)**	-	**-**	-
Termination benefits payable	**82,000**	10,510	**-**	-
Share of loss of jointly-controlled entity	**3,228**	-	**-**	-
	1,433,034	1,103,867	**(69,482)**	(90,830)
Change in trade and other receivables	**(931,756)**	3,861,979	**7,016**	562,393
Change in trade and other payables	**(721,619)**	(2,666,933)	**(22,706)**	(189,453)
Change in related party balances	**(2,750)**	(626)	**1,299**	(21,241)
Change in shareholders' balances	**23,101**	18,100	**-**	18,100
Change in directors' balances	**(1,986)**	(39,299)	**-**	-
Cash (absorbed by)/generated from operating activities	**(201,976)**	2,277,088	**(83,873)**	278,969
Interest paid	**(38,354)**	(33,686)	**-**	-
Interest received	**477**	4,260	**-**	418
Tax paid	**(8,108)**	(18,576)	**-**	(4,537)
Tax refunded	**83,851**	18,591	**83,851**	18,591
Termination benefits paid	**(82,000)**	(10,510)	**-**	-
Net cash (used in)/from operating activities	**(246,110)**	2,237,167	**(22)**	293,441
Cash flows from investing activities				
Investment in subsidiaries	**-**	-	**-**	(480)
Investment in jointly-controlled entity	**-**	(5,000)	**-**	-
Acquisition of property, plant and equipment	**(216,648)**	(419,028)	**-**	-
Proceeds from sale of plant and equipment	**8,466**	-	**-**	-
Dividends received	**-**	-	**294,014**	755,000
Net cash (used in)/from investing activities	**(208,182)**	(424,028)	**294,014**	754,520
Balance carried forward before financing	**(454,292)**	1,813,139	**293,992**	1,047,961

The notes on pages 31 to 62 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**€**	€	**€**	€
Balance brought forward before financing		**(454,292)**	1,813,139	**293,992**	1,047,961
Cash flows from financing activities					
Loan advanced by bank		**45,000**	-	**-**	-
Repayments of bank loans		**(64,079)**	(420,000)	**-**	-
Interest paid on bank loans		**(45,916)**	(59,562)	**-**	-
Advances by subsidiary		**-**	-	**-**	294,635
Dividends paid to non-controlling interest		**-**	(180,000)	**-**	-
Dividends paid to owners of the Company		**(297,630)**	(1,350,000)	**(297,630)**	(1,350,000)
Net cash used in financing activities		**(362,625)**	(2,009,562)	**(297,630)**	(1,055,365)
Net decrease in cash and cash equivalents		**(816,917)**	(196,423)	**(3,638)**	(7,404)
Cash and cash equivalents at 1 January		**118,613**	333,608	**4,928**	12,332
Effect of exchange rate fluctuations on cash held		**110,571**	(226,117)	**-**	-
Cash released from pledge		**-**	207,785	**-**	-
Cash and cash equivalents at 31 December	23	**(587,733)**	118,853	**1,290**	4,928

The notes on pages 31 to 62 are an integral part of these financial statements.

1 Reporting entity

Medserv p.l.c. (the "Company") is a public liability company domiciled and incorporated in Malta.

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in a jointly- controlled entity (see note 15). The Group is primarily involved in providing services and support to the offshore oil and gas industry operating mainly in the Mediterranean basin with a focus on the industry's activities in North Africa.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

The methods used to measure fair values for disclosure purposes are discussed further in note 5.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 16 – Recognition of deferred tax asset on investment tax credits.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are the same policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non- controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

3.1.2 Jointly-controlled entity

A jointly-controlled entity is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

An investment in a jointly-controlled entity is accounted for using the equity method and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a jointly-controlled entity, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of a jointly-controlled entity.

3.1.3 Transactions eliminated on consolidation

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

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the 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 year. Foreign currency differences arising on retranslation are recognised in profit or loss. 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.

3.3 Financial instruments

3.3.1 Non-derivative financial assets

The Group initially recognises non-derivative financial assets on the date that they are originated.

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

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

The Group's non-derivative financial assets comprise loans and receivables.

Loans and receivables

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

At reporting date, the Company's loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits.

3.3.2 Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group's non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.3 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 the intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The 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 Group 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

A charge equivalent to a full year's depreciation is provided for during the year in which the plant and equipment is first brought to use and none during the year in which the item is disposed of or scrapped.

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

• buildings and improvements	10 - 48	years
• furniture and fittings	10	years
• health and safety equipment	5	years
• office and computer equipment	5	years
• plant and equipment (2010: 4years)	8	years
• motor vehicles	4	years

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

Estimates in respect of certain items of plant and equipment were revised in 2011. See note 13.

3.5 Leased assets

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

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

3.6 Impairment

3.6.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

3.6.2 Non-financial assets

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

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

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

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

3.7 Investments in subsidiaries and jointly-controlled entity

3.7.1 Investment in subsidiaries

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

3.7.2 Investment in jointly-controlled entity

A jointly-controlled entity is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control; that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

An investment in a jointly-controlled entity is shown in the statement of financial position of the Company at cost less impairment losses.

3.8 Employee benefits

3.8.1 Defined contribution plans

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

3.8.2 Other long-term employee benefits

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

3.9 Revenue

3.9.1 Services rendered

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

3.9.2 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards occurs when the product is loaded onto the client's vessel.

Generally for such products the customer has no right of return.

3.9.3 Dividends

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

3.10 Lease payments

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

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

3.11 Other income

Foreign currency gains and losses are reported on a net basis as either "other income" or "other expenses" depending on whether foreign currency movement is in a net gain or net loss position.

3.12 Finance income and finance cost

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.

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.

3.13 Income tax

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

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

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

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

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

A deferred tax asset is recognised for unutilised tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.15 Segment reporting

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

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

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

3.16 Unrealised profits

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

4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2011 have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for disclosure purposes only 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.

5.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

5.2 Non-derivative financial liabilities

Fair value, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6 Operating segments

6.1

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units operate from two different locations, but offer similar services and are managed by the same management team since they require similar resources and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Malta operation

Includes the provision of comprehensive logistical support services for the offshore petro-chemical industry from a base in Kalafrana, Malta.

Libya operation

Includes the provision of comprehensive logistical support services for the onshore and offshore petro-chemical industry from a base in Misurata, Libya.

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

6.2 Information about reportable segments

	Malta operation		Libya operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	€	€	**€**	€	**€**	€
External revenues	**8,544,762**	7,740,910	**659,611**	3,975,439	**9,204,373**	11,716,349
Interest revenue	**-**	3,166	**477**	676	**477**	3,842
Interest expense	**(86,856)**	(97,345)	**-**	-	**(86,856)**	(97,345)
Depreciation	**(194,885)**	(292,218)	**(203,282)**	(455,894)	**(398,167)**	(748,112)
Reportable segment profit/ (loss) before income tax	**1,193,096**	267,640	**(107,792)**	(144,941)	**1,085,304**	122,699
Reportable segment assets	**11,131,199**	10,762,432	**2,704,752**	3,093,057	**13,835,951**	13,855,489
Capital expenditure	**170,277**	183,564	**46,371**	354,106	**216,648**	537,670
Reportable segment liabilities	**3,770,760**	3,992,325	**1,421,818**	1,818,517	**5,192,578**	5,810,842

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

	2011	2010
	€	€
Revenues		
Total revenue for reportable segments	**9,204,373**	11,716,349
Consolidated revenues	**9,204,373**	11,716,349
Profit or loss		
Total profit or loss for reportable segments	**1,085,304**	122,699
Unallocated amounts:		
Interest revenue	**-**	418
Other corporate expenses	**(74,388)**	(90,830)
Share of loss of jointly-controlled entity	**(3,228)**	-
Consolidated profit before income tax	**1,007,688**	32,287
Assets		
Total assets for reportable segments	**13,835,951**	13,855,489
Unallocated amounts	**21,058**	119,486
Inter-segment eliminations	**(640,157)**	(594,600)
Consolidated total assets	**13,216,852**	13,380,375
Liabilities		
Total liabilities for reportable segments	**5,192,578**	5,810,842
Unallocated amounts	**40,180**	56,476
Inter-segment eliminations	**(640,157)**	(594,600)
Consolidated total liabilities	**4,592,601**	5,272,718

6.4 Geographical information

The Group segments are managed from Malta but operate base facilities in Malta and Libya. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenues	Non-current assets
	€	**€**
31 December 2011		
Libya	**5,685,445**	**925,943**
Italy	**267,139**	**-**
Cyprus	**513,949**	**-**
Switzerland	**186,955**	**-**
UK	**632,485**	**-**
France	**43,435**	**-**
Malta	**1,487,689**	**3,409,825**
USA	**50,674**	**-**
Other countries	**336,602**	**-**
	9,204,373	**4,335,768**

	Revenues	Non-current assets
	€	€
31 December 2010		
Libya	4,096,930	1,082,854
Italy	1,163,396	-
Cyprus	403,437	-
Switzerland	902,353	-
UK	1,319,493	-
France	773,898	-
Malta	1,236,932	3,434,433
USA	868,939	-
Other countries	950,971	-
	11,716,349	4,517,287

7 Revenue

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

Category of activity				
	The Group		**The Company**	
	2011	2010	**2011**	2010
	€	€	**€**	€
Logistical support and other services	**9,204,373**	11,716,349	**-**	-
Dividends receivable from subsidiaries	**-**	-	**600,000**	959,720
	9,204,373	11,716,349	**600,000**	959,720

8 Other Income

	The Group	
	2011	2010
	€	€
Unrealised operating exchange gains	**131,888**	-
Realised operating exchange gains	**-**	251,775
Gain on sale of plant and equipment	**8,466**	-
Surrender of endowment policy	**-**	18,033
	140,354	269,808

9 Administrative and other expenses

9.1 Administrative expenses include the total fees charged to the Group by the auditors during 2011 for:

	€
Auditors' remuneration	50,700
Tax advisory services	7,705
Other non-audit services	10,650
	69,055

9.2 Other expenses represent realised operating exchange losses.

10 Personnel expenses

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

	2011	2010
	€	€
Directors' emoluments:		
Remuneration	183,832	177,024
Fees	53,300	77,505
	237,132	254,529
Wages and salaries	1,222,102	1,258,196
Social security contributions	67,913	88,243
	1,527,147	1,600,968

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

	2011	2010
	No.	No.
Operating	48	48
Management and administration	9	12
	57	60

11 Finance income and finance costs

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Bank interest receivable	**477**	3,322	**-**	-
Other interest receivable	**-**	938	**-**	418
Finance income	**477**	4,260	**-**	418
Interest payable on bank loans	**(46,459)**	(58,977)	**-**	-
Other bank interest payable	**(40,397)**	(38,368)	**-**	-
Finance costs	**(86,856)**	(97,345)	**-**	-
Net finance (costs)/income	**(86,379)**	(93,085)	**-**	418

12 Tax (expense)/income

12.1 Recognised in the income statement

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Current tax				
Current year	**(94)**	(52,897)	**-**	(186,758)
Prior year	**38,478**	38,496	**11,745**	46,088
	38,384	(14,401)	**11,745**	(140,670)
Deferred tax movement				
Origination and reversal of temporary differences	**(229,478)**	97,292	**-**	-
Total tax (expense)/income	**(191,094)**	82,891	**11,745**	(140,670)

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

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Profit before tax	**1,007,688**	32,287	**530,518**	869,308
Income tax using the domestic income tax rate	**(352,691)**	(11,300)	**(185,681)**	(304,258)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(1,801)**	(2,209)	**-**	-
Business Promotion Act investment tax credit	**135,997**	119,593	**-**	-
Disallowed expenses	**(35,971)**	(31,790)	**(24,319)**	(31,790)
Exempt dividends receivable	**-**	-	**210,000**	149,290
Difference in tax rates applicable to Group entities	**32,014**	(30,742)	**-**	-
Adjustment to prior years' deferred tax asset	**(5,990)**	843	**-**	-
Adjustment to prior year's current tax	**38,478**	38,496	**11,745**	46,088
Share of loss of jointly-controlled entity	**(1,130)**	-	**-**	-
	(191,094)	82,891	**11,745**	(140,670)

The applicable tax rate is the statutory local income tax rate of 35% for income generated in Malta. The results from operations in Libya are not subject to tax except for services provided outside Misurata free zone (see note 12.3).

12.3 **Income tax of operations in Libya**
Under the requirements of Law number 9/2000 enacted in Libya which regulates Transit and freezones, and Relative Implementing Regulations issued by the Resolution of the People's Committee General number 137/2004 and Article Number 6 states that all income generated in the Freezone, whether by natural and juridical entities, shall be exempted from any kind of tax and fees. The disposal, documents, assets, exchanges, money transfers and credit movements among Freezone companies or between Freezone companies and other companies shall also be exempted.

12.4 During the year, the Group carried out ancillary services subject to tax at the tax rate applicable in Libya on profits achieved from such services and to Jihad tax at a fixed rate of 4% on taxable profits.

12.5 The Company's subsidiary, Medserv Operations Limited (see note 14) is eligible to the incentives provided by regulation 31 of the Business Promotion Regulations, 2001 ("BPRs").

13 Property, plant and equipment - The Group

13.1

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles
	€	€	€	€	€	€	€	€	€
Cost									
Balance at 01.01.10	7,295,246	3,676,032	94,215	2,387,437	593,186	13,196	141,856	191,965	197,359
Acquisitions	537,670	8,568	1,551	420,714	18,388	-	34,416	39,372	14,661
Balance at 31.12.10	7,832,916	3,684,600	95,766	2,808,151	611,574	13,196	176,272	231,337	212,020
Balance at 01.01.11	7,832,916	3,684,600	95,766	2,808,151	611,574	13,196	176,272	231,337	212,020
Acquisitions	216,648	-	-	194,344	3,835	-	531	2,968	14,970
Disposals	(61,085)	-	-	(46,005)	-	-	-	-	(15,080)
Balance at 31.12.11	7,988,479	3,684,600	95,766	2,956,490	615,409	13,196	176,803	234,305	211,910
Depreciation									
Balance at 01.01.10	2,567,517	559,966	21,273	1,426,926	168,840	7,918	78,712	156,046	147,836
Charge for the year	748,112	89,031	9,575	512,299	58,478	2,640	27,446	22,682	25,961
Balance at 31.12.10	3,315,629	648,997	30,848	1,939,225	227,318	10,558	106,158	178,728	173,797
Balance at 01.01.11	3,315,629	648,997	30,848	1,939,225	227,318	10,558	106,158	178,728	173,797
Charge for the year	398,167	89,280	9,576	168,820	58,856	2,638	27,549	22,625	18,823
Released on disposal	(61,085)	-	-	(46,005)	-	-	-	-	(15,080)
Balance at 31.12.11	3,652,711	738,277	40,424	2,062,040	286,174	13,196	133,707	201,353	177,540

13 Property, plant and equipment - The Group

13.1

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles
	€	€	€	€	€	€	€	€	€
Carrying amounts									
At 1 January 2010	4,727,729	3,116,066	72,942	960,511	424,346	5,278	63,144	35,919	49,523
At 31 December 2010	4,517,287	3,035,603	64,918	868,926	384,256	2,638	70,114	52,609	38,223
At 1 January 2011	**4,517,287**	**3,035,603**	**64,918**	**868,926**	**384,256**	**2,638**	**70,114**	**52,609**	**38,223**
At 31 December 2011	**4,335,768**	**2,946,323**	**55,342**	**894,450**	**329,235**	**-**	**43,096**	**32,952**	**34,370**

13.2

At 31 December 2011, the Group still used fully depreciated plant and equipment that had a gross carrying amount of €1,090,172 (2010: €1,082,917).

13.3

The Group's buildings are constructed on land held under title of temporary emphyteusis from the Malta Freeport Corporation Limited for a period up to 29 May 2045.

13.4

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2010: €Nil).

13.5 Security

At 31 December 2011, the Group's plant and equipment were subject to hypothecs on bank loans and general overdraft facilities amounting to €2,337,447.

13.6 Change in estimates

During the year ended 31 December 2011, the Group reviewed the estimated useful lives of plant and equipment to better reflect the useful lives of plant and equipment. During 2011, the estimated useful lives were changed from 4 years to 8 years. As a result of this change, the depreciation expense during the year ended 31 December 2011 has decreased.

The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:

	2011	2012	2013	Later
	€	€	€	€
(Decrease)/increase in depreciation expenses	**(372,068)**	(150,043)	15,037	507,074

14 Investments in subsidiaries

14.1

		Capital subscribed
	Note	€
At 1 January 2010		342,653
Acquisitions	14.3	480
At 31 December 2010		343,133
At 1 January 2011		343,133
At 31 December 2011		**343,133**

14.2

Subsidiaries	**Registered Office**	**Ownership Interest**		**Nature of business**	**Paid up**
		2011	2010		
		%	%		%
Medserv International p.l.c.	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	25
Medserv Italy Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Eastern Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Operations Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Logistical support and other services	100

14.3

During the previous year the Company acquired majority shareholding in two newly formed companies, Medserv Italy Limited and Medserv Eastern Mediterranean Limited, (formerly Medserv Libya Limited).

15 Investment in jointly-controlled entity

On 3 November 2010, the Group acquired 50 percent of the share capital of a newly established jointly-controlled entity, Medserv Italia s.r.l., a company registered in Italy. Medserv Italia s.r.l. was set up to provide comprehensive logistical support and service base for the oil and gas industry. The jointly-controlled entity has not carried out any business activities during the period to 31 December 2011.

Summary of financial information for the jointly-controlled entity as at 31 December 2011 and in the period than ended is as follows:

	€
Current assets	**5,217**
Total assets	**5,217**
Current liabilities	**1,672**
Total liabilities	**1,672**
Net assets	**3,545**
Group's share of net assets (50%)	**1,772**
Income	**-**
Expenses	**(6,455)**
Loss for the period	**(6,455)**
Group's share of loss	**(3,228)**

16 Deferred tax assets and liabilities

16.1

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	**2011**	2010	**2011**	2010
	€	€	**€**	€	**€**	€
The Group						
Property, plant and equipment	**38,364**	50,595	**-**	-	**38,364**	50,595
Provision for discounted future gratuity payments	**9,866**	11,293	**-**	-	**9,866**	11,293
Impairment loss on receivables	**990**	990	**-**	-	**990**	990
Provision for exchange fluctuations	**-**	5,819	**(2,261)**		**(2,261)**	5,819
Investment tax credit	**3,362,910**	3,640,485	**-**	-	**3,362,910**	3,640,485
Unutilised tax losses	**136,261**	66,426	**-**	-	**136,261**	66,426
Tax assets/(liabilities)	**3,548,391**	3,775,608	**(2,261)**	-	**3,546,130**	3,775,608
Set off of tax	**(2,261)**	-	**2,261**	-	**-**	-
Net tax assets	**3,546,130**	3,775,608	**-**	-	**3,546,130**	3,775,608

16.2 Movement in temporary differences during the year - The Group

	Balance 01.01.10	Recognised in profit or loss	Balance 31.12.10
	€	€	€
Property, plant and equipment	34,362	16,233	50,595
Provision for discounted future gratuity payments	10,876	417	11,293
Impairment loss on receivables	15,842	(14,852)	990
Provision for exchange fluctuations	3,543	2,276	5,819
Investment tax credit	3,613,693	26,792	3,640,485
Unutilised tax losses	-	66,426	66,426
	3,678,316	97,292	3,775,608

	Balance 01.01.11	Recognised in profit or loss	Balance 31.12.11
	€	**€**	**€**
Property, plant and equipment	**50,595**	**(12,231)**	**38,364**
Provision for discounted future gratuity payments	**11,293**	**(1,427)**	**9,866**
Impairment loss on receivables	**990**	**-**	**990**
Provision for exchange fluctuations	**5,819**	**(8,080)**	**(2,261)**
Investment tax credit	**3,640,485**	**(277,575)**	**3,362,910**
Unutilised tax losses	**66,426**	**69,835**	**136,261**
	3,775,608	**(229,478)**	**3,546,130**

16.3 Recognition of deferred tax asset on investment tax credits

A deferred tax asset of €3,362,910 (2010: €3,640,485) representing the full tax value of investment tax credits has been recognised in the financial statements. Based on the Group's profit forecasts for the Malta operations, the directors believe that the Group will have sufficient taxable profit in the future against which this deferred tax asset can be utilised.

17 Trade and other receivables

17.1

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade receivables	**4,635,776**	3,619,394	**-**	-
Amounts due by subsidiaries	**-**	-	**3,561,804**	3,245,372
Other receivables	**153,054**	172,512	**-**	-
Accrued income	**129,286**	31,605	**-**	-
Prepayments	**80,451**	227,762	**17,584**	24,600
	4,998,567	4,051,273	**3,579,388**	3,269,972

17.2

Trade receivables are shown net of impairment losses amounting to €2,827 (2010: €2,827).

17.3

The balances due by the subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 28 to these financial statements.

17.4

The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 24.

18 Capital and reserves

18.1 Share capital

	Group and Company	
	Ordinary shares	
	2011	2010
	No.	No.
On issue at 31 December - fully paid	**10,000,000**	10,000,000

At 31 December 2011, the authorised share capital comprised 20,000,000 ordinary shares (2010: 20,000,000). All shares have a par value of €0.232937. The issued share capital is fully paid up.

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

18.2 Legal reserve

The legal reserve represents an amount of retained earnings, equivalent to 20% of the share capital of the Libyan subsidiary, which was transferred to this non-distributable reserve in accordance with the requirements of the memorandum and articles of association of the Libyan subsidiary.

18.3 Statutory reserve

The statutory reserve is not distributable and comprises transfers of amounts equivalent to unrealised gains in accordance with the requirements of the Companies Act, 1995 (Chapter 386, Laws of Malta). As at 31 December 2011, the balance in this reserve represented the deferred tax asset recognised in respect of investment tax credits available to the Group as at that date.

18.4 Availability of reserves for distribution

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Distributable	**2,267,111**	1,598,013	**1,558,301**	1,316,038
Non-distributable	**3,559,171**	3,766,911	**-**	-
	5,826,282	5,364,924	**1,558,301**	1,316,038

18.5 Dividends

The following dividends were declared and paid by the Company:

	2011	2010
	€	€
3.0 euro cents per qualifying ordinary share (2010: 13.5 euro cents)	**300,000**	1,350,000

After reporting date, a dividend of 3.0 euro cents per qualifying ordinary share, amounting to €300,000, was proposed by the directors. The dividends have not been provided for and there are no tax consequences. No dividends were proposed in the comparative period.

19 Earnings per share

The calculation of basic earnings per share of the Group and the Company is based on the profit attributable to shareholders of the Company as shown in the income statement, divided by the number of shares in issue as at 31 December 2011. During the year and the comparative period there were no dilutive potential ordinary shares.

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Profit for the year attributable to shareholders	**761,358**	118,850	**542,263**	728,638
Number of shares in issue during the period		10,000,000		
Earnings per share	**7c6**	1c2	**5c4**	7c3

20 Loans and borrowings

20.1

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 24.

	2011	2010
	€	€
Non-current liabilities		
Secured bank loans	**647,732**	830,031
Current liabilities		
Secured bank loans	**222,080**	58,860
Bank overdraft	**922,348**	822,757
	1,144,428	881,617

20.2 Terms and debt repayment schedule

The Group has bank loans amounting to €869,812 (2010: €888,891). The interest rate and terms of repayment were as follows:

Bank loan	Interest rate	Repayable by
€32,365	5.25%	Monthly instalments of €1,977 inclusive of interest, repayable up to April 2013.
€837,447	5.5%	Monthly instalments of €20,050 inclusive of interest, repayable from October 2011 to December 2015.

The loan amounting to €32,365 is secured by joint and several guarantees given by the Company.

The loan amounting to €837,447 is secured by a general hypothec for €2,337,447 over all assets present and future of the Group; a special hypothec for €2,337,447 over the temporary utile dominium expiring May 2045 on Medserv Site and buildings at Malta Freeport, Kalafrana; a guarantee that the Group shall not pay dividends in excess of 40% of its net profits after tax and not to pay dividends beyond the amount of €1,514,093 without the bank's prior consent.

Furthermore the Group has bank loans amounting to €169,574 which remained undrawn as at 31 December 2011. The Company has provided a letter of comfort to the bankers in connection with facilities granted to a subsidiary.

20.3 Overdraft facilities

The Group enjoys general overdraft facilities of €1,525,000 (2010: €1,500,000) at the following terms and conditions.

Bank overdraft	Interest rate	Security
€25,000	5.375%	Joint and several guarantees by the Company
€1,500,000	5.500%	Secured by a general hypothec over the Group's assets present and future; a special hypothec over the emphyteutical property situated at the Company's sites and buildings

At 31 December 2011, the Group had unutilised bank overdraft facilities of €602,652 (2010: €677,243).

21 Provisions

This provision is for retirement gratuities relating to the obligation of a subsidiary to effect ex-gratia payments to a number of its retiring employees, according to the Collective Agreement with the employees' union.

22 Trade and other payables

22.1

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade payables	**1,849,915**	2,395,801	**5,746**	17,302
Amounts due to shareholders	**47,645**	22,174	**24,544**	22,174
Amounts due to directors	**355**	2,488	**-**	-
Amounts due to non-controlling interest	**450,548**	240,171	**-**	-
Accrued expenses	**338,721**	511,949	**5,850**	17,000
Other payables	**54,136**	278,869	**-**	-
	2,741,320	3,451,452	**36,140**	56,476

22.2

The amounts due to shareholders and directors are all unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 28 to these financial statements.

22.3

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

23 Cash and cash equivalents

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**€**	€	**€**	€
Bank balances		**324,087**	889,300	**1,290**	4,928
Cash in hand		**10,528**	58,056	**-**	-
Cash and cash equivalents		**334,615**	947,356	**1,290**	4,928
Bank overdraft used for cash management purposes	20	**(922,348)**	(822,757)	**-**	-
Cash pledged as guarantees	-	**-**	(5,746)	**-**	-
Effect of exchange fluctuations		**-**	-	**-**	-
		(587,733)	118,853	**1,290**	4,928

The Group's and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 24.

24 Financial instruments

24.1 Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

24.2 Risk management framework

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

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

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. During the previous year the Board of Directors set up a Financial Risk Management Committee which assists in managing the credit risk, liquidity risk and market risk on a day-to-day basis. The Financial Risk Management Committee is made up of a Board member and senior management officers of the Group.

24.3 Credit risk

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

Exposure to credit risk

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

	Carrying amount			
	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Trade and other receivables (excluding prepayments)	**4,918,116**	3,823,511	**3,561,804**	3,245,372
Cash at bank	**324,087**	889,300	**1,290**	4,928
	5,242,203	4,712,811	**3,563,094**	3,250,300

The maximum exposure to credit risk for trade receivables (see note 17.1) at the reporting date by geographic region was:

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Carrying amount				
Domestic	**311,390**	505,812	**-**	-
EU countries	**437,749**	1,409,194	**-**	-
Libya	**3,763,954**	1,583,710	**-**	-
USA	**45,492**	110,080	**-**	-
Other	**77,191**	10,598	**-**	-
	4,635,776	3,619,394	**-**	-

Trade and other receivables

The Group offers logistical services to large customers operating within the oil and gas industry. These customers operate huge budgets and historically have been sufficiently funded to meet their obligations towards the Group. Contracts with customers are generally negotiated by the Board of Directors and discussed with the Audit Committee.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate, has less influence on credit risk. Approximately 48 percent (2010: 19 percent) of the Group's revenue is attributable to sales transactions with a single customer.

Impairment losses

The aging of trade receivables at the reporting date was:

The Group				
	Gross	**Impairment**	Gross	Impairement
	2011	**2011**	2010	2010
	€	**€**	€	€
Not past due	**2,148,182**	**-**	2,109,855	-
Past due 0-30 days	**279,435**	**-**	471,228	-
Past due 31-120 days	**336,052**	**-**	162,069	-
More than 120 days	**1,874,934**	**2,827**	879,069	2,827
	4,638,603	**2,827**	3,622,221	2,827

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

	2011	2010
	€	€
Balance at 1 January	2,827	45,263
Movement	-	(42,436)
Balance at 31 December	2,827	2,827

The impairment loss at 31 December 2011 relates to an amount being disputed by a customer of a subsidiary. The recoverability of such balance is doubtful at year-end, although the directors have indicated that efforts will be made to recover such balance.

Based on historic default rates, the Group believes that apart from the above, no further impairment allowance is necessary, in respect of trade receivables past due more than 120 days.

24.4 Liquidity risk

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

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As at 31 December 2011, the Group had secured overdraft facilities amounting to €1,500,000 and €25,000, which bear interest at the Bank's Base Rate plus 3 and 2.5 percent respectively. The Bank's Base rate stood at 2.5 percent as at 31 December 2011 (2010: 2.5 percent).

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

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
The Group	€	€	€	€	€	€
31 December 2011						
Financial liabilities						
Secured bank loans	869,812	(965,369)	(132,162)	(132,162)	(491,131)	(209,914)
Trade and other payables	2,741,320	(2,741,320)	(2,741,320)	-	-	-
Bank overdraft	922,348	(922,348)	(922,348)	-	-	-
	4,533,480	(4,629,037)	(3,795,830)	(132,162)	(491,131)	(209,914)
31 December 2010						
Financial liabilities						
Secured bank loans	888,891	(1,000,620)	-	(58,860)	(470,880)	(470,880)
Trade and other payables	3,451,452	(3,451,452)	(3,451,452)	-	-	-
Bank overdraft	822,757	(822,757)	(822,757)	-	-	-
	5,163,100	(5,274,829)	(4,274,209)	(58,860)	(470,880)	(470,880)

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

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
The Company	€	€	€	€	€	€
31 December 2011						
Financial liabilities						
Trade and other payables	36,140	(36,140)	(36,140)	-	-	-
31 December 2010						
Financial liabilities						
Trade and other payables	56,476	(56,476)	(56,476)	-	-	-

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

24.5 Market risk

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

Currency risk

The Group is exposed to currency risk on sales, purchases and bank balances that are denominated in a currency other than the Group's functional currency, primarily the U.S. Dollar (USD), Pound Sterling (GBP) and Libyan Dinar (LYD).

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

Exposure to currency risk

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

	31 December 2011			31 December 2010		
	USD	**GBP**	**LYD**	USD	GBP	LYD
Trade receivables	**378,042**	**-**	**337,153**	330,155	-	538,471
Trade payables	**(1,666)**	**(12,414)**	**(366,772)**	(11,299)	(6,954)	(616,930)
Net statement of financial position exposure	**376,376**	**(12,414)**	**(29,619)**	318,856	(6,954)	(78,459)
Available funds in foreign currency	**6,023**	**-**	**279,083**	153,484	-	561,704
Net exposure	**382,399**	**(12,414)**	**249,464**	472,340	(6,954)	483,245

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2011	2010	**2011**	2010
USD	**1.392**	1.328	**1.295**	1.325
GBP	**0.858**	0.858	**0.838**	0.857
LYD	**1.680**	1.707	**1.693**	1.645

Sensitivity analysis

A 10 percent strengthening of the Euro against the following currencies as at 31 December would have increased/(decreased) profit or loss (and equity) by the pre-tax amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group 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 2010.

	Profit or loss
	€
31 December 2011	
USD	**(26,642)**
GBP	**1,347**
LYD	**13,398**
31 December 2010	
USD	(32,405)
GBP	738
LYD	(23,004)

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.

24.6 Interest rate risk

Profile

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

	Carrying amount	
	2011	2010
	€	€
Fixed rate instruments		
Financial assets	**144,483**	569,879
Variable rate instruments		
Financial liabilities	**(1,792,160)**	(1,711,648)

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

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss (and equity) by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010

The Group	Profit or loss	
	100 bp increase	100 bp decrease
	€	€
31 December 2011		
Variable rate instruments	**(19,618)**	11,986
Cash flow sensitivity (net)	**(19,618)**	11,986
31 December 2010		
Variable rate instruments	**(24,140)**	21,676
Cash flow sensitivity (net)	**(24,140)**	21,676

24.7 Operational risk

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

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

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

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

24.8 Capital management

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 Group defines as result from operating activities divided by total shareholders' equity. The directors also monitor the level of dividends to ordinary shareholders.

The directors seek 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.

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

The Group is not subject to externally imposed capital requirements.

24.9 Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

The Group				
	31 December 2011		31 December 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**4,918,116**	**4,918,116**	3,823,511	3,823,511
Cash at bank and in hand	**334,615**	**334,615**	947,356	947,356
Secured bank loans	**(869,812)**	**(869,812)**	(888,891)	(888,891)
Trade and other payables	**(2,741,320)**	**(2,741,320)**	(3,451,452)	(3,451,452)
Bank overdraft	**(922,348)**	**(922,348)**	(822,757)	(822,757)
	719,251	**719,251**	(392,233)	(392,233)

The Company				
	31 December 2011		31 December 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**3,561,804**	**3,561,804**	3,245,372	3,245,372
Cash at bank and in hand	**1,290**	**1,290**	4,928	4,928
Trade and other payables	**(36,140)**	**(36,140)**	(56,476)	(56,476)
	3,526,954	**3,526,954**	3,193,824	3,193,824

The basis for determining fair values is disclosed in note 5.

25 Operating leases

Leases as lessee

The Group leases a quay, a warehouse and ancillary facilities at Malta Freeport, Kalafrana and similar facilities at Misurata Free Zone Port, Misurata in Libya under two separate operating leases.

During the current year, contingent lease payments amounting to €38,099 (2010: €420,632) were recognised in profit or loss.

26 Contingencies

26.1

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

- Guarantees given to the Group's bankers in favour of third parties amounting to €8,159 (2010: €8,159).
- Claims for damages submitted by a former consultant amounting to €11,250 which are being disputed by a subsidiary.
- Unquantified claims for damages submitted by a supplier of a subsidiary, including a former managing director, which claims are being disputed by a subsidiary.
- During the previous year a former service provider made a legal claim against a subsidiary requesting compensation for damages caused by the termination of a contractual business relationship.

No provision has been made in these financial statements towards the above claims. At 31 December 2011, the Company cannot reasonably quantify all the damages claimed.

26.2

The Company has uncalled share capital on its investments in subsidiaries, namely Medserv International p.l.c., Medserv Italy Limited and Medserv Eastern Mediterranean Limited amounting to €36,861 (see note 14.2).

26.3 Counter claims

A subsidiary has filed claims for, amongst others, the restitution of funds allegedly misappropriated by a former managing director and damages caused to this subsidiary by the same individual.

27 Capital commitments

As at 31 December 2011, the Group is committed to incur capital expenditure of €889,000 (2010: €621,500).

28 Related parties

28.1 Significant shareholders

Two of the Company's directors, namely Mr Anthony S Diacono and Mr Anthony J Duncan each hold directly or indirectly 37.5% of the issued share capital of the Company.

28.2 Identity of related parties

The Group has a related party relationship with its directors, shareholders and immediate relatives of a director ("other related parties").

The Company has a related party relationship with its subsidiaries (see note 14.2), jointly-controlled entity (see note 15), its directors and a company controlled by a subsidiary ("other related company").

28.3 Transactions with key management personnel

Directors of the Company have indirect and direct control of the voting shares of the Company. Two of the directors, namely Mr Anthony S Diacono and Mr Anthony J Duncan have retained 37.5% each of the issued share capital either directly or indirectly. There were no loans to directors during the current and comparative periods.

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. None of these companies transacted with the Group during the year.

28.4 Other related party transactions

The following transactions were conducted during the year:

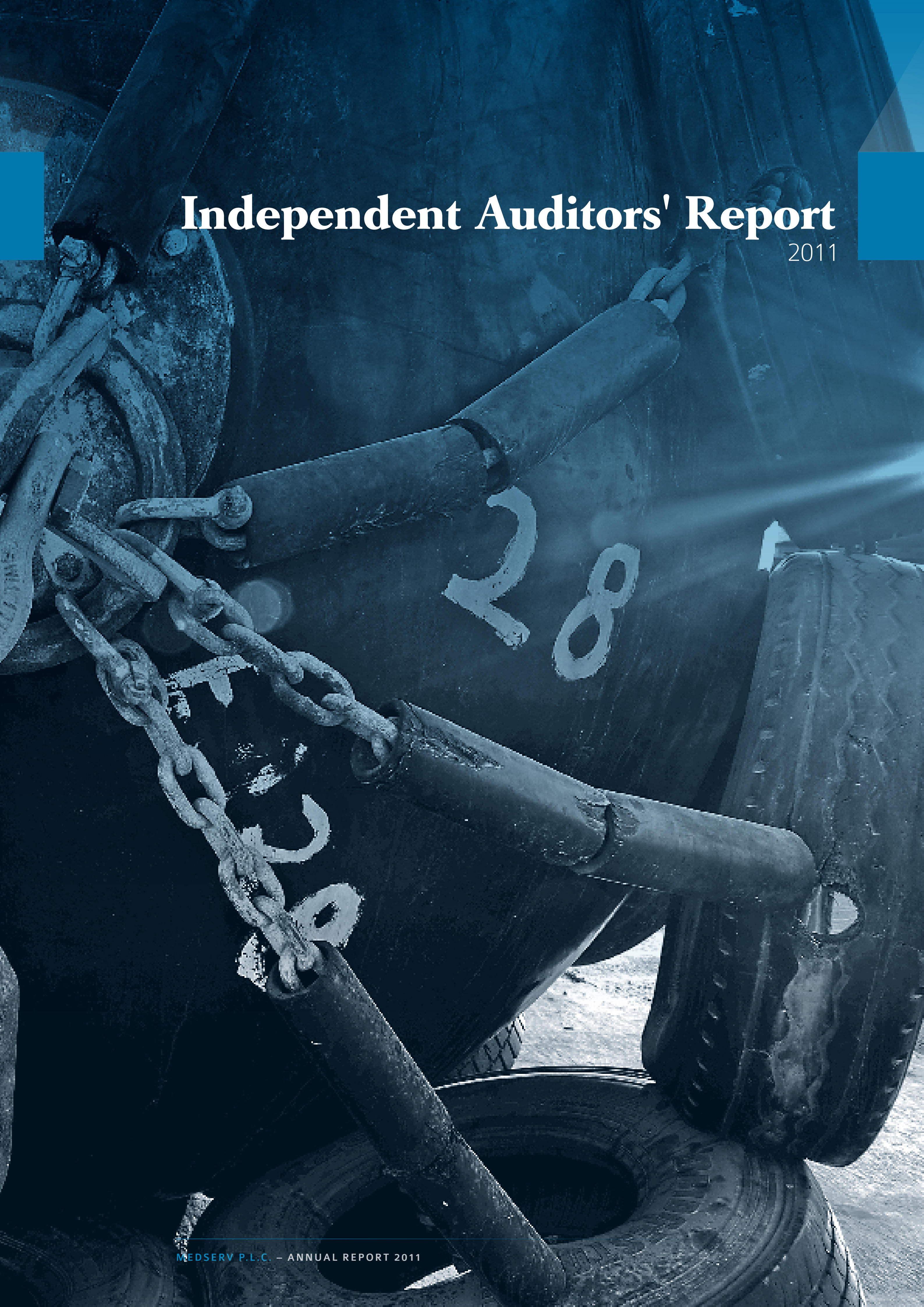
	The Company	
	2011	2010
	€	€
Subsidiaries		
Payment of expenses on behalf of Company by	**98,755**	107,865
Tax refund of Company received by	**83,997**	-
Tax paid on behalf of Company by	**8,108**	-
Recharge of expenses to Company by	**-**	184,538
Dividends receivable from	**600,000**	773,839
Cash received on behalf of Company by	**-**	289,009
Advances from	**-**	5,626
Dividends received from	**294,014**	755,000

	The Group		The Company	
	2011	2010	**2011**	2010
	€	€	**€**	€
Key management personnel				
Surrender of endowment policy	**-**	18,033	**-**	-
Payment of expenses on behalf of	**2,133**	100,124	**-**	-
Interest charged by	**-**	**-**	-	-
Repayment of expenses on behalf of	**-**	78,859	**-**	-
Other related company				
Dividends received from	**-**	-	**-**	270,000
Other related parties				
Services provided by	**20,363**	8,439	**-**	-

28.5 Related party balances

Information on amounts due from or payable to related parties are set out in notes 17 and 22 to these financial statements.

Independent Auditors' Report
2011



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Independent Auditors' Report
To the Members of Medserv p.l.c.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Medserv p.l.c. (the "Company") and of the Group of which the Company is the parent, as set out on pages 24 to 62, which comprise the statements of financial position as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Act and may not be appropriate for any other purpose.

In addition, we read the other information contained in the Annual Report 2011 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent material misstatements of fact or material inconsistencies with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on Financial Statements

In our opinion, the financial statements:

- give a true and fair view of the Group's and the Company's financial position as at 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation.

Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by exception by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act")

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- proper accounting records have not been kept by the Company; or
- the Company's 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; or
- certain disclosures of directors' remuneration specified by the Act are not made.

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Report required by Listing Rule 5.98 issued by the Listing Authority in Malta on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance (the "Principles") outlined in Appendix 5.1 to Chapter 5 (Continuing Obligations) of the Listing Rules (the "Appendix")

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

Our responsibility as independent auditors of the Company, is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles, which is set out on pages 13 to 21.

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

In our opinion, the Directors' Statement of Compliance set out on pages 13 to 21 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Kevin Mifsud
(DIRECTOR) FOR AND ON BEHALF OF

KPMG
Registered Auditors

21 March 2012

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