ANNUAL REPORT & FINANCIAL STATEMENTS 2010

ANNUAL REPORT
& FINANCIAL STATEMENTS 2010

Company Registration Number: C 28847

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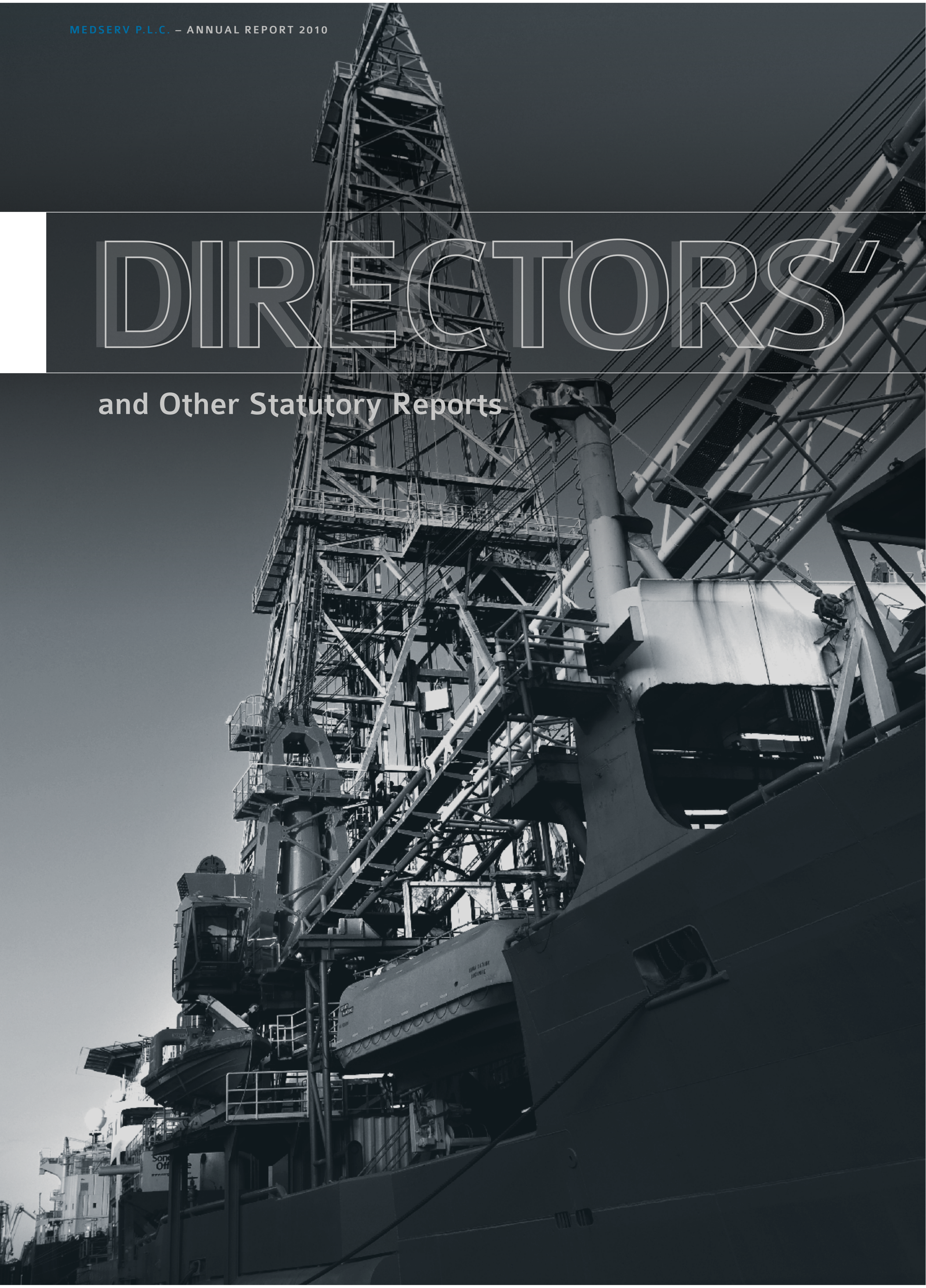


DIRECTORS'

and Other Statutory Reports

Chairman's Statement for year ended 31 December 2010

I am in fact quite satisfied that the Company has shown resilience and has been able to report a small profit in spite of extremely adverse conditions.

In my statement attached to the 2009 Annual Report and Financial Statements I said that *"we expect the global economy to start showing signs of recovery in 2010"*. A recovery did in fact start especially in our industry. Unfortunately the BP incident in the Gulf of Mexico led to the halting of all offshore exploration, not only in that location but throughout the world including the Mediterranean.

All the offshore operations that we were about to service in the second quarter of 2010 from our bases both in Malta and Misurata were immediately put on hold. However the Company continued to support its clients in the new scenario that had developed by offering storage facilities for goods and materials already commissioned to service the postponed operations.

In 2010 the Company continued with its efforts started in 2009 to further maximize the use of its facilities by attracting heavy equipment and barges passing through the Mediterranean. However it is true that we experienced a decline in the expected revenue derived from this business as the slowdown in business affected exploration activity globally and not just in the Mediterranean as was the case in 2009.

The results being reported for the year 2010 show a profit of €115,178. Although this is disappointing when compared to the results for 2009, I am in fact quite satisfied that the Company has shown resilience and has been able to report a small profit in spite of the extremely adverse conditions referred to above.

The Company is continuing with its initiative in Sicily. As is normal in our business the lead time for any of these projects is long and we do not anticipate any activity before 2012. Medserv Italia s.r.l. has been incorporated and is in a position to respond to the market as necessary.

Discussions with the drilling Company are being held to ascertain which of the two sites available to Medserv Italia may be utilised for both operations offshore Sicily. The Company is cautiously optimistic that it will secure this business when it comes on line. The initiative to enter the Egyptian market has been postponed.

I feel I need to say a few words on the post balance sheet events evolving in Libya. It is too early to foresee the eventual outcome resulting from the present unrest. Our base in Misurata is not presently operating but to date our warehouses and equipment there are still intact. The situation in Misurata is being monitored on a day-to-day basis. The operation in our Libya base in Misurata will resume as soon as events make this possible.

The base in Malta is experiencing increased business as equipment and materials are being relocated at least temporarily to Malta, where we have the facility, experience, professional staff and financial strength to continue to service the needs of our clients working offshore North Africa. We are working within the parameters of the present UN and EU sanctions and payments received from our clients are meeting all compliance requirements.

Due to the importance for both Libya and the international Oil Companies to continue with the exploration and production of both oil and gas in Libya, albeit as soon as the situation allows, leads the Company to be cautiously optimistic that it is well placed to secure the expected business.

Anthony S Diacono
CHAIRMAN

21 March 2011

Directors' Report for year ended 31 December 2010

The directors present their report, together with the financial statements of Medserv p.l.c. (the "Company"), for the year ended 31 December 2010.

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

The Group experienced a lean 2010 as a result of postponement of offshore work caused by political and economic factors as well as the Gulf of Mexico incident. Consequently revenue decreased from €17,528,227 generated in year 2009 to €11,716,349. This decrease in revenue had a direct effect on the Group's profit margins as contribution towards fixed costs decreased.

During the year, the Group achieved an operating result of €873,484 and after charging depreciation amounting to €748,112 and net finance costs amounting to €93,085 as well as crediting taxation amounting €82,891 the Company achieved a profit €115,178.

As at 31 December 2010, the Group and the Company enjoyed a positive short term liquidity position of €672,059 and €3,302,275, respectively. Total assets of the Group and the Company exceeded total liabilities as at 31 December 2010 by €8,107,657 and €3,645,408, respectively.

The Group maintained its drive to attract new business as well as to diversify its revenue streams, which include treatment of waste following an exploratory operation as well as to penetrate into new geographical markets.

All projects in North Africa have been delayed and not postponed however given the nature of the projects and the long lead times the board of directors still anticipate these projects to materialise.

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 do not recommend the payment of a final dividend.

Reserves

During the year, unrealised gains recognised by the Group amounting to €93,218 were transferred from retained earnings to statutory reserve in accordance with the requirements of the Companies Act, 1995 (Chapter 386, Laws of Malta).

Disclosures pursuant to Listing Rule 5.64

Share capital structure:

The Company's authorised share capital is four million six hundred fifty eight 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 twenty nine 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.

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;

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 2010, the following persons hold 5% or more of its share capital:

Malampaya Investments Limited	37.50%	(3,750,000 shares)
Anthony S Diacono	37.50%	(3,750,000 shares)
Charts Investment Management Service Ltd (for the benefit of clients)	8.24%	(824,334 shares)
HSBC Bank Malta p.l.c. (for the benefit of clients)	6.78%	(678,490 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 and replacement of directors

The Directors of the Company are appointed by the shareholders in the annual general meeting of the Company. Save for the provisions of paragraph (b) hereunder, an election of Directors takes place every year in the following manner:

(a) Any Member/s holding not less than 50,000 voting shares is entitled to nominate a fit and proper person for appointment as Director. In addition, the Directors themselves or a committee appointed for the purpose may make recommendations and nominations to the shareholders for the appointment of Directors at the next following annual general meeting.

(b) The shareholder are granted a period of 14 days to nominate candidates for appointment as Directors. Such notice may be given by the publication of an advertisement in at least 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 and shall reach the registered office not later than 14 days after the publication of the said notice. The same procedure applies for such nominations made by the Directors or any sub-committee appointed for that purpose.

(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 pursuant 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 will take place.

(e) Unless they resign or are removed, Directors shall hold office up until the end of the annual general meeting next following their appointment. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

(f) (i) Whenever an election is necessary amongst candidates nominated for appointment as Directors, such election shall be conducted in the manner prescribed by the articles of association of the Company or in such manner as close as practicably possible thereto as the Directors may consider equitable in the circumstances.

(ii) 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.

(iii) 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.

(iv) 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 Members shall take a separate vote for each candidate. The Members shall first be asked to vote by a show of hands and if a poll is validly called, a poll shall be conducted. Each Member shall be entitled, in the event of a poll, to use all or part only of his votes on a particular candidate.

(v) Upon a resolution being carried, whether by a show hands or by a poll, 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.

(vi) Members 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 fifty per cent of the members present and voting at the meeting.

(vii) Unless a Member 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.

(g) 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.

(h) 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 of the Memorandum and Articles of Association

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

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

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

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings 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 seventy five per cent (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 member 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, Cap 386 of the laws of Malta, 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.

Approved by the Board of Directors on 21 March 2011 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Port of Marsaxlokk
Birzebbugia
Malta

12 Statement by the Directors on the Financial Statements

AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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 2011 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 Listing Rules 5.97 issued by the Listing Authority, Medserv p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the "Code of the Principles of Good Corporate Governance" (hereinafter the "Code") appended to the said Listing Rules with respect to the period under review. The reference to the Code refers to such Code prior to their amendment in 16 November 2010, which amendments do not apply to the Annual Report of the Company for the financial year ended 31 December 2010.

Compliance with 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.

Although the Company takes notes of the recommendation of the Code to set up committees additional to the audit committee, namely the remuneration and evaluation committees, the Board believes that their introduction in the structure of the Company is not required. As regards the remuneration committee, the reason for this divergence is twofold: firstly due to current balance between non-executive and executive directors on the Board and secondly due to the contained structure within which the Company operates. This belief is founded on the premise that the justification to establish a remuneration committee is to avoid a situation where executive directors participate in the determination of their own remuneration packages – in the case of the Company, directors do not participate in discussions setting out their own remuneration. As regards directors' remuneration, the board has opted to disclose an aggregate figure, as opposed to disclosing same on an individual level. For the financial year under review the aggregate remuneration of the directors of the Company, including remuneration paid to the two executive directors, amounted to €215,460. As regards the evaluation committee, the directors are of the view that the size of the Company and the Board does not merit the incorporation of a distinct committee to undertake the annual evaluation.

In general the directors believe that, in the context of its size and nature of its business, the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company's requirements.

Board of directors

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company's requirements and designed to ensure the existence of adequate checks and balances within the Company. The Board of directors (the "Board") retains a balance between the executive and non-executive roles within the Company, a structure characterised by the presence of three non-executive directors and two executive directors on the Board. The presence of the executive directors is designed to ensure that all the Board, including non-executive directors, has direct access at meetings of directors to the individuals having the prime responsibility for day-to-day operations of the Company and the implementation of polices that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. This is also in line with the Code recommending a mix of executive and non-executive directors.

Pursuant to generally accepted practices, as well as the Company's articles of association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders.

As stated above, the Board of directors currently comprises five directors. For the period under review the Board has implemented its policy to meet at least once every quarter. In fact, the Board met four times during 2010. 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. The Board also delegates specific responsibilities to the management team of the Company and the Audit Committee, which operates under its formal terms of reference. 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. All of the directors were present at each board meeting of the Company held in 2010.

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 5.104. The Board of directors has not undertaken an annual evaluation of its own performance and that of its committees and of individual directors.

Audit committee

The Audit Committee has met four times during the period under review. Its principal role is the monitoring of internal systems and controls and risk management and conflicts of interest. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to monitor and scrutinise Related Party Transactions, if any, falling within the ambits of the Listing Rules.

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.

Member	No of meetings attended
Joseph F X Zahra (Chairman of Audit Committee)	4
Johannes Jacobus van Leeuwen	2
David Roberts	4
Anthony J Duncan	4

The Board considers Joseph F X Zahra to be 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.

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. 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.

The Board has set up a Financial Risk Management Committee composed of Mr Anthony J Duncan (executive director of the Company), Mr Karl Bartolo (Financial Controller) and Mr Colin Galea (Accounts). The said Committee was set up with a view to managing 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.

Annual general meeting

Business at the Company's Annual General Meeting ("AGM") generally covers the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, the election of directors, the appointment of auditors, the authorisation of the directors to set the auditors' remuneration and any other matter which requires the approval of the shareholders.

The Company gives priority to its relationship with its shareholders. Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and by company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with its shareholders to ensure that its strategies and performance are well understood.

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

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.

Risk identification

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

Information and communication

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. Communication with shareholders is effected in line with statutory and regulatory requirements. Company announcements are also made through the Malta Stock Exchange, as required by the Listing Rules.

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. This year the Company is committed to support a national Maltese charity.

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

In general the directors believe that, in the context of its size and nature of its business, the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company's requirements.

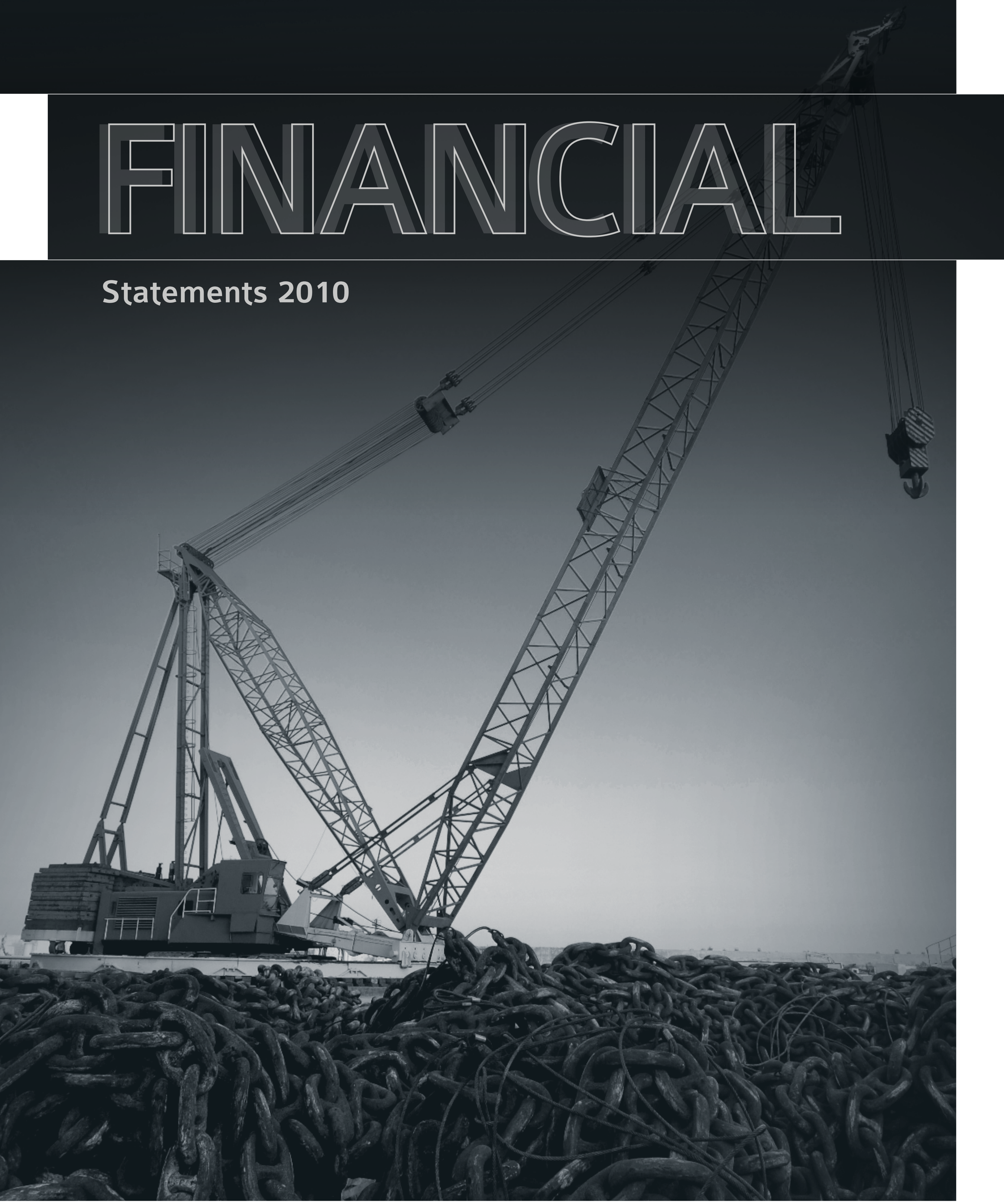
Signed on behalf of the Board of directors on 21 March 2011 by:

Joseph F X Zahra

CHAIRMAN OF AUDIT COMMITTEE

FINANCIAL

Statements 2010



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 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 Group 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 Group's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Financial Statements

Statements of financial position

AS AT 31 DECEMBER 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**€**	€	**€**	€
ASSETS					
Property, plant and equipment	13	**4,517,287**	4,727,729	**-**	-
Investments in subsidiaries	14	**-**	-	**343,133**	342,653
Investment in jointly-controlled entity	15	**5,000**	-	**-**	-
Deferred tax assets	16	3,775,608	3,678,316	-	-
Total non-current assets		**8,297,895**	8,406,045	**343,133**	342,653
Current tax asset		**83,851**	61,459	**83,851**	51,963
Trade and other receivables	17	**4,051,273**	7,353,389	**3,269,972**	4,087,651
Cash at bank and in hand	23	**947,356**	1,071,296	**4,928**	12,332
Total current assets		**5,082,480**	8,486,144	**3,358,751**	4,151,946
Total assets		**13,380,375**	16,892,189	**3,701,884**	4,494,599

The notes on pages 27 to 59 are an integral part of these financial statements.

Statements of financial position

AS AT 31 DECEMBER 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**€**	€	**€**	€
EQUITY					
Share capital	18	**2,329,370**	2,329,370	**2,329,370**	2,329,370
Reserves	18	**3,766,911**	3,673,693	**-**	-
Retained earnings		**1,598,013**	2,922,381	**1,316,038**	1,937,400
Total equity attributable to equity-holders of the Company		**7,694,294**	8,925,444	**3,645,408**	4,266,770
Non-controlling interest		**413,363**	657,206	**-**	-
Total equity		**8,107,657**	9,582,650	**3,645,408**	4,266,770
LIABILITIES					
Loans and borrowings	20	**830,031**	888,891	**-**	-
Provisions	21	**32,266**	31,073	**-**	-
Total non-current liabilities		**862,297**	919,964	**-**	-
Current tax payable		**77,352**	40,544	**-**	-
Loans and borrowings	19	**881,617**	1,020,670	**-**	-
Trade and other payables	22	**3,451,452**	5,328,361	**56,476**	227,829
Total current liabilities		**4,410,421**	6,389,575	**56,476**	227,829
Total liabilities		**5,272,718**	7,309,539	**56,476**	227,829
Total equity and liabilities		**13,380,375**	16,892,189	**3,701,884**	4,494,599

The notes on pages 27 to 59 are an integral part of these financial statements.

The financial statements on pages 20 to 59 were approved and authorised for issue by the Board of Directors on 21 March 2011 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

Financial Statements

Statements of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**€**	€	**€**	€
CONTINUING OPERATIONS					
Revenue	7	**11,716,349**	17,528,227	**959,720**	2,680,919
Cost of sales		**(10,057,087)**	(12,747,380)	**-**	(621,305)
Gross profit		**1,659,262**	4,780,847	**959,720**	2,059,614
Other income	8	**269,808**	126,231	**-**	-
Administrative expenses	9	**(1,585,014)**	(1,632,450)	**(90,830)**	(78,913)
Other expenses	9	**(218,684)**	(4,086)	**-**	-
Results from operating activities		**125,372**	3,270,542	**868,890**	1,980,701
Finance income	11	**4,260**	986	**418**	-
Finance costs	11	**(97,345)**	(88,424)	**-**	-
Net finance (costs)/income	11	**(93,085)**	(87,438)	**418**	-
Profit before income tax		**32,287**	3,183,104	**869,308**	1,980,701
Tax income/(expense)	12	**82,891**	(375,439)	**(140,670)**	(46,157)
Profit for the year		**115,178**	2,807,665	**728,638**	1,934,544
Profit/(loss) attributable to:					
Owners of the Company		**118,850**	2,327,322	**728,638**	1,934,544
Non-controlling interest		**(3,672)**	480,343	**-**	-
Profit for the year		**115,178**	2,807,665	**728,638**	1,934,544
Total comprehensive income for the year		**115,178**	2,807,665	**728,638**	1,934,544
Earnings per share					
Basic earnings per share	19	**1c2**	23c3	**7c3**	19c3

The notes on pages 27 to 59 are an integral part of these financial statements.

Statement of changes in equity – Group

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company						
	Share capital	Legal reserve	Statuary reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2009	2,329,370	60,000	3,841,688	757,064	6,988,122	356,863	7,344,985
Total comprehensive income for the year							
Profit for the year	-	-	-	2,327,322	2,327,322	480,343	2,807,665
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	(390,000)	(390,000)	(180,000)	(570,000)
Transfer to retained earnings	-	-	(227,995)	227,995	-	-	-
Balance at 31 December 2009	**2,329,370**	**60,000**	**3,613,693**	**2,922,381**	**8,925,444**	**657,206**	**9,582,650**
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**

The notes on pages 27 to 59 are an integral part of these financial statements.

Statement of changes in equity – The Company

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Retained earnings	Total equity
	€	€	€
Balance at 1 January 2009	2,329,370	392,856	2,722,226
Total comprehensive income for the year			
Profit for the year	-	1,934,544	1,934,544
Contributions by and distributions to owners			
Dividends paid to equity holders	-	(390,000)	(390,000)
Balance at 31 December 2009	**2,329,370**	**1,937,400**	**4,266,770**
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**

The notes on pages 27 to 59 are an integral part of these financial statements.

Statements of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Cash flows from operating activities				
Profit for the year	**115,178**	2,807,665	**728,638**	1,934,544
Adjustments for:				
Depreciation	**748,112**	667,194	**-**	-
Dividends receivable	**-**	-	**(959,720)**	(2,110,676)
Tax (income)/expense	**(82,891)**	375,439	**140,670**	46,157
Bad debts written off	**42,436**	608,402	**-**	-
Reversal of impairment loss on trade receivables	**(42,436)**	(439,917)	**-**	-
Provision for exchange fluctuations	**218,684**	(73,185)	**-**	-
Provision for gratuity payments	**1,189**	5,459	**-**	-
Interest payable	**97,345**	88,424	**-**	-
Interest receivable	**(4,260)**	(986)	**(418)**	-
Termination benefits payable	**10,510**	-	**-**	-
	1,103,867	4,038,495	**(90,830)**	(129,975)
Change in trade and other receivables	**3,861,979**	(1,471,580)	**562,393**	(261,709)
Change in trade and other payables	**(2,666,933)**	105,005	**(189,453)**	177,326
Change in related party balances	**(626)**	(1,600)	**(21,241)**	(289,299)
Change in shareholders' balances	**18,100**	3,718	**18,100**	3,718
Change in directors' balances	**(39,299)**	(30,906)	**-**	-
Cash generated from/(absorbed by) operating activities	**2,277,088**	2,643,132	**278,969**	(499,939)
Interest paid	**(33,686)**	(16,519)	**-**	-
Interest received	**4,260**	986	**418**	-
Tax paid	**(18,576)**	(69,129)	**(4,537)**	(60,000)
Tax refunded	**18,591**	37,056	**18,591**	37,056
Termination benefits paid	**(10,510)**	-	**-**	-
Net cash from/(used in) operating activities	**2,237,167**	2,595,526	**293,441**	(522,883)
Cash flows from investing activities				
Investment in subsidiaries	**-**	-	**(480)**	-
Investment in jointly-controlled entity	**(5,000)**	-	**-**	-
Acquisition of property, plant and equipment	**(419,028)**	(1,030,105)	**-**	-
Advances to directors	**-**	(11,000)	**-**	-
Dividends received	**-**	-	**755,000**	810,000
Repayment of advances from subsidiary	**-**	-	**-**	(37,056)
Net cash (used in)/from investing activities	**(424,028)**	(1,041,105)	**754,520**	772,944
Balance carried forward	**1,813,139**	1,554,421	**1,047,961**	250,061

The notes on pages 27 to 59 are an integral part of these financial statements.

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Statements of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2010

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**€**	€	**€**	€
Balance brought forward		**1,813,139**	1,554,421	**1,047,961**	250,061
Cash flows from financing activities					
Loan advanced by bank		**-**	420,000	**-**	-
Repayments of bank loans		**(420,000)**	(509,298)	**-**	-
Repayment of loan advanced by shareholder		**-**	(420,000)	**-**	-
Interest paid on bank loan		**(59,562)**	(46,158)	**-**	-
Interest paid on loan advanced by shareholder		**-**	(24,935)	**-**	-
Advances by subsidiary		**-**	-	**294,635**	149,000
Dividends paid to non-controlling interest		**(180,000)**	-	**-**	-
Other dividends paid		**(1,350,000)**	(390,000)	**(1,350,000)**	(390,000)
Net cash used in financing activities		**(2,009,562)**	(970,391)	**(1,055,365)**	(241,000)
Net (decrease)/increase in cash and cash equivalents		**(196,423)**	584,030	**(7,404)**	9,061
Cash and cash equivalents at 1 January		**333,608**	(193,326)	**12,332**	3,271
Effect of exchange rate fluctuations on cash held		**(220,371)**	85,466	**-**	-
Cash released from pledge/ (pledged as guarantees)		**207,785**	(142,562)	**-**	-
Cash and cash equivalents at 31 December	23	**124,599**	333,608	**4,928**	12,332

The notes on pages 27 to 59 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 2010 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"), to the extent that such provisions do not conflict with the applicable framework.

2.2 Basis of measurement

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

The methods used to measure fair values are discussed further in note 4.

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 joint venture 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.

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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, 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 the 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 the 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	4 years
• motor vehicles	4 years

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

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 a specific asset level. All individually significant receivables are assessed for specific impairment.

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

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 join 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.

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 are 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.

3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning on or after 1 January 2010, have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4 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.

4.1 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.

4.2 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.

5 Financial risk management

5.1 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. Further quantitative disclosures are included throughout these financial statements.

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5.2 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 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.

5.3 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.

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 11.86 percent (2009: 12 percent) of the Group's revenue is attributable to sales transactions with a single customer.

5.4 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 2010, the Group had a secured overdraft facility of €1,500,000, which bears interest at the Bank's Base Rate plus 3 percent.

5.5 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.

5.5.1 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.

5.5.2 Interest rate risk

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.

5.6 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.

5.7 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.

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, The Great Libyan Arab Jamahiriya.

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	
	2010	2009	**2010**	2009	**2010**	2009
	€	€	**€**	€	**€**	€
External revenues	**7,903,710**	11,600,953	**3,975,439**	6,190,813	**11,879,149**	17,791,766
Inter-segment revenue	**162,800**	263,539	**-**	-	**162,800**	263,539
Interest revenue	**3,166**	577	**676**	409	**3,842**	986
Interest expense	**(97,345)**	(88,424)	**-**	-	**(97,345)**	(88,424)
Depreciation	**(292,218)**	(295,543)	**(455,894)**	(371,651)	**(748,112)**	(667,194)
Reportable segment profit/(loss) before income tax	**267,640**	2,102,591	**(144,941)**	1,788,134	**122,699**	3,890,725
Reportable segment assets	**10,762,432**	12,408,076	**3,093,057**	4,430,814	**13,855,489**	16,838,890
Capital expenditure	**183,564**	860,559	**354,106**	432,231	**537,670**	1,292,790
Reportable segment liabilities	**3,992,325**	5,166,142	**1,818,517**	1,947,554	**5,810,842**	7,113,696

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

	2010	2009
	€	€
Revenues		
Total revenue for reportable segments	11,879,149	17,791,766
Elimination of inter-segment revenue	(162,800)	(263,539)
Consolidated revenues	11,716,349	17,528,227
Profit or loss		
Total profit or loss for reportable segments	122,699	3,890,725
Unallocated amounts:		
Interest revenue	418	-
Other corporate expenses	(90,830)	(707,621)
Consolidated profit before income tax	32,287	3,183,104
Assets		
Total assets for reportable segments	13,855,489	16,838,890
Unallocated amounts	119,486	92,689
Inter-segment eliminations	(594,600)	(39,390)
Consolidated total assets	13,380,375	16,892,189
Liabilities		
Total liabilities for reportable segments	5,810,842	7,113,696
Unallocated amounts	56,476	235,233
Inter-segment eliminations	(594,600)	(39,390)
Consolidated total liabilities	5,272,718	7,309,539

6.4 Geographical segments

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.

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	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**

	Revenues	Non-current assets
	€	€
31 December 2009		
Libya	8,182,516	1,184,642
Italy	890,928	-
Cyprus	1,741,524	-
Switzerland	1,000,427	-
UK	906,309	-
France	1,470,129	-
Malta	1,409,340	3,543,087
USA	1,164,104	-
Other countries	762,950	-
	17,528,227	4,727,729

7 Revenue

Revenue is stated after deduction of sales rebates and indirect taxes

Category of activity

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Logistical support and other services	**11,716,349**	17,528,227	**-**	-
Management fee	**-**	-	**-**	570,243
Dividends receivable from subsidiaries	**-**	-	**959,720**	2,110,676
	11,716,349	17,528,227	**959,720**	2,680,919

8 Other income

	The Group	
	2010	2009
	€	€
Unrealised operating exchange gains	**-**	77,271
Realised operating exchange gains	**251,775**	48,960
Surrender of endowment policy	**18,033**	-
	269,808	126,231

9 Administrative and other expenses

9.1

Administrative expenses include the total fees charged to the Group by the auditors during 2010 for:

	€
Auditors' remuneration	55,500
Tax advisory services	3,720
Other non-audit services	62,620
	121,840

9.2 Other expenses

Other expenses represent unrealised operating exchange losses

10 Personnel expenses

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

	2010	2009
	€	€
Directors' emoluments:	-	77,271
Remuneration	177,024	117,000
Fees	77,505	83,164
	254,529	200,164
Wages and salaries	1,258,196	1,263,416
Social security contributions	88,243	76,085
	1,600,968	1,539,665

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

	2010	2009
	No.	No.
Operating	48	45
Management and administration	12	12
	60	57

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11 Finance income and finance costs

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Bank interest receivable	**3,322**	986	**-**	-
Other interest receivable	**938**	-	**418**	-
Finance income	**4,260**	986	**418**	-
Interest payable on bank loan	**(58,977)**	(51,362)	**-**	-
Other bank interest payable	**(38,368)**	(20,457)	**-**	-
Interest payable on loan by related party	**-**	(16,605)	**-**	-
Finance costs	**(97,345)**	(88,424)	**-**	-
Net finance (costs)/income	**(93,085)**	(87,438)	**418**	-

12 Tax income / (expense)

12.1 Recognised in the income statement

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Current tax				
Current year	**(52,897)**	(34,222)	**(186,758)**	(67,304)
Prior year	**38,496**	(1,726)	**46,088**	21,147
	(14,401)	(35,948)	**(140,670)**	(46,157)
Deferred tax movement				
Origination and reversal of temporary differences	**97,292**	(339,491)	**-**	-
Total tax income/(expense)	**82,891**	(375,439)	**(140,670)**	(46,157)

12.2 The tax income/(expense) 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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Profit before tax	**32,287**	3,183,104	**869,308**	1,980,701
Income tax using the domestic income tax rate	**(11,300)**	(1,114,086)	**(304,258)**	(693,245)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(2,209)**	(4,036)	**-**	-
Business Promotion Act investment tax credit	**119,593**	395,874	**-**	-
Disallowed expenses	**-**	(32,533)	**(31,790)**	(21,495)
Exempt dividends receivable	**-**	-	**149,290**	603,561
Difference in tax rates applicable to Group entities	**(62,532)**	418,668	**-**	-
Adjustment to prior years' deferred tax asset	**843**	13,025	**-**	-
Adjustment to prior year's current tax	**38,496**	(1,726)	**46,088**	21,147
Consolidation adjustments	**-**	(50,625)	**-**	-
FRFTC on dividends	**-**	-	**-**	43,875
	82,891	375,439	**(140,670)**	(46,157)

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 Freezone (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 between 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 01.01.09	6,002,456	3,171,486	73,622	1,727,122	564,499	13,196	105,739	183,445	163,347
Acquisitions	1,292,790	504,546	20,593	660,315	28,687	-	36,117	8,520	34,012
Balance at 31.12.09	7,295,246	3,676,032	94,215	2,387,437	593,186	13,196	141,856	191,965	197,359
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
Depreciation									
Balance at 01.01.09	1,900,323	470,936	11,853	988,093	112,206	5,279	58,150	141,039	112,767
Charge for the year	667,194	89,030	9,420	438,833	56,634	2,639	20,562	15,007	35,069
Balance at 31.12.09	2,567,517	559,966	21,273	1,426,926	168,840	7,918	78,712	156,046	147,836
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

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles
	€	€	€	€	€	€	€	€	€
Carrying amounts									
At 1 January 2009	4,102,133	2,700,550	61,769	739,029	452,293	7,917	47,589	42,406	50,580
At 31 December 2009	4,727,729	3,116,066	72,942	960,511	424,346	5,278	63,144	35,919	49,523
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

13.2

At 31 December 2010, the Group still used fully depreciated plant and equipment that had a gross carrying amount of €239,347 (2009: €273,583).

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 (2009: €Nil).

13.5 Security

At 31 December 2010, the Group's plant and equipment were subject to hypothecs on bank loans and general overdraft facilities amounting to €2,749,373. The Group has provided other guarantees in favour of its bankers besides its hypothec on plant and equipment.

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14 Investments in subsidiaries

14.1

	Note	Capital subscribed €
At 1 January 2009		522,653
Disposal	14.3	(180,000)
At 31 December 2009		342,653
At 1 January 2010		342,653
Acquisitions	14.4	480
At 31 December 2010		**343,133**

14.2

Subsidiaries	Registered Office	Ownership interest 2010	Ownership interest 2009	Nature of business	Paid up
		%	%		%
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**	-	Holding Company	20
Medserv Libya Limited	Port of Marsaxlokk Birzebbugia, Malta	**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 transferred its sixty per cent (60%) shareholding in Medserv Misurata FZC to Medserv International p.l.c., thereby rendering Medserv Misurata FZC a direct subsidiary of Medserv International p.l.c.

14.4

During the current year the Company acquired majority shareholding in two newly formed companies, Medserv Italy Limited and 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 2010, which is also its first reporting date.

Summary of unaudited financial information for the jointly-controlled entity, not adjusted for the percentage ownership held by the Group:

	2010
	€
Assets	
Current assets	9,973
Total assets	**9,973**
Loss for the period	**27**

16 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2010	2009	**2010**	2009	**2010**	2009
	€	€	€	€	€	€
The Group						
Property, plant and equipment	50,595	34,362	-	-	50,595	34,362
Provision for future gratuity payments	11,293	10,876	-	-	11,293	10,876
Impairment loss on receivables	990	15,842	-	-	990	15,842
Provision for exchange fluctuations	5,819	3,543	-	-	5,819	3,543
Investment tax credit	3,640,485	3,613,693	-	-	3,640,485	3,613,693
Unutilised tax losses	66,426	-	-	-	66,426	-
Tax assets	**3,775,608**	3,678,316	-	-	**3,775,608**	3,678,316

16.2 Movement in temporary differences during the year - The Group

	Balance 01.01.09	Recognised in profit or loss	Balance 31.12.09
	€	€	€
Property, plant and equipment	28,562	5,800	34,362
Provision for discounted future gratuity payments	8,965	1,911	10,876
Impairment loss on receivables	169,835	(153,993)	15,842
Provision for exchange differences	(10,935)	14,478	3,543
Investment tax credit	3,821,380	(207,687)	3,613,693
	4,017,807	(339,491)	3,678,316

	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 differences	**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**

16.3 Recognition of deferred tax asset on investment tax credits

A deferred tax asset of €3,640,485 (2009: €3,613,693) 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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade receivables	**3,619,394**	6,816,305	**-**	-
Amounts due by subsidiaries	**-**	-	**3,245,372**	3,500,658
Other receivables	**172,512**	391,433	**-**	-
Accrued income	**31,605**	-	**-**	570,243
Prepayments	**227,762**	145,651	**24,600**	16,750
	4,051,273	7,353,389	**3,269,972**	4,087,651

17.2

Trade receivables and other receivables are shown net of impairment losses amounting to €2,827 and €118,535 (2009: €45,263 and €118,535) respectively.

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	
	2010	2009
	No.	No.
On issue at 31 December - fully paid	**10,000,000**	10,000,000

At 31 December 2010, the authorised share capital comprised 20,000,000 ordinary shares (2009: 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 2010, 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.

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18.4 Availability of reserves for distribution

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Distributable	**1,598,013**	2,922,381	**1,316,038**	1,937,400
Non-distributable	**3,766,911**	3,673,693	**-**	-
	5,364,924	6,596,074	**1,316,038**	1,937,400

18.5 Dividends

The following dividends were declared and paid by the Company:

	2010	2009
	€	€
13.5 euro cents per qualifying ordinary share (2009: 3.9 euro cents)	**1,350,000**	390,000

No dividends are proposed at balance sheet date. In the comparative period, proposed dividends at year end were €1,350,000. The amount was recognised and paid in 2010.

19 Earnings per share

The calculation of 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 2010.

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Profit for the year attributable to shareholders	**118,850**	2,327,322	**728,638**	1,934,544
Number of shares in issue during the period		10,000,000		
Earnings per share	**1c2**	23c3	**7c3**	19c3

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.

	The Group	
	2010	2009
	€	€
Non-current liabilities		
Secured bank loans	**830,031**	888,891
Current liabilities		
Secured bank loans	**58,860**	420,000
Bank overdraft	**822,757**	600,670
	881,617	1,020,670

20.2 Terms and debt repayment schedule

The Group has a bank loan amounting to €888,891 (2009: €1,308,891).

The interest rate and terms of repayment of this bank loan were as follows:

Bank loan	Interest rate	Payable by
€888,891	5.5%	Monthly instalments of €19,620 inclusive of interest, repayable up to December 2015.

The loan is secured by a general hypothec for €2,329,373 over all assets present and future of the Group; a special hypothec for €2,329,373 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 before tax and not to pay dividends beyond the amount of €1,514,093 without the bank's prior consent.

20.3 Overdraft facilities

The Group enjoys general overdraft facilities of €1,500,000 (2009: €1,500,000). These facilities bear interest at the rate of 3% per annum over the Bank's Base Rate and are 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 the Malta Freeport Area in Kalafrana. As at year-end, the Bank's Base Rate stood at 2.5% (2009: 2.5%) per annum.

As at 31 December 2010, the Group had unutilised bank overdraft facilities of €677,243 (2009: €899,330).

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.

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22 Trade and other payables

22.1

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade payables	**2,395,801**	3,812,820	**17,302**	11,556
Amounts due to shareholders	**22,174**	4,074	**22,174**	4,074
Amounts due to directors	**2,488**	41,787	**-**	-
Amounts due to non-controlling interest	**240,171**	187,447	**-**	-
Accrued expenses	**511,949**	1,155,268	**17,000**	212,199
Other payables	**278,869**	126,965		
	3,451,452	5,328,361	**56,476**	227,829

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	
		2010	2009	**2010**	2009
	Note	**€**	€	**€**	€
Bank balances		**889,300**	1,062,707	**4,928**	12,332
Cash in hand		**58,056**	8,589	**-**	-
Cash and cash equivalents		**947,356**	1,071,296	**4,928**	12,332
Bank overdraft used for cash management purposes	20	**(822,757)**	(600,670)	**-**	-
Cash pledged as guarantees		**-**	(207,785)	**-**	-
Effect of exchange fluctuations		**-**	70,767	**-**	-
		124,599	333,608	**4,928**	12,332

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 Credit risk

24.1.1 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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade and other receivables	**3,823,511**	7,207,738	**3,245,372**	4,070,901
Cash at bank	**889,300**	1,062,707	**4,928**	12,332
	4,712,811	8,270,445	**3,250,300**	4,083,233

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	
	2010	2009	**2010**	2009
	€	€	**€**	€
Carrying amount				
Domestic	**505,812**	454,043	**-**	-
EU countries	**1,409,194**	2,413,082	**-**	-
Libya	**1,583,710**	3,424,480	**-**	-
USA	**110,080**	517,110	**-**	-
Other	**10,598**	7,590	**-**	-
	3,619,394	6,816,305	**-**	-

Financial Statements

24.1.2 Impairment losses

The aging of trade receivables at the reporting date was:

The Group	Gross	Impairment	Gross	Impairment
	2010	**2010**	2009	2009
	€	**€**	€	€
Not past due	**2,109,855**	**-**	3,048,345	-
Past due 0-30 days	**471,228**	**-**	933,589	-
Past due 31-120 days	**162,069**	**-**	1,179,685	-
More than 120 days	**879,069**	**2,827**	1,699,949	45,263
	3,622,221	**2,827**	6,861,568	45,263

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

	2010	2009
	€	€
Balance at 1 January	**45,263**	485,180
Movement	**(42,436)**	(439,917)
Balance at 31 December	**2,827**	45,263

The impairment loss at 31 December 2010 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.

24.2 Liquidity risk

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 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**	**(845,383)**	**(845,383)**	**-**	**-**	**-**
	5,163,100	**(5,297,455)**	**(4,296,835)**	**(58,860)**	**(470,880)**	**(470,880)**
31 December 2009						
Financial liabilities						
Secured bank loans	1,308,891	(1,406,891)	(244,135)	(237,199)	(925,557)	-
Trade and other payables	5,328,361	(5,328,361)	(5,328,361)	-	-	-
Bank overdraft	600,670	(617,188)	(617,188)	-	-	-
	7,237,922	(7,352,440)	(6,189,684)	(237,199)	(925,557)	-
The Company						
31 December 2010						
Financial liabilities						
Trade and other payables	**56,476**	**(56,476)**	**(56,476)**	**-**	**-**	**-**
31 December 2009						
Financial liabilities						
Trade and other payables	227,829	(227,829)	(227,829)	-	-	-

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

24.3 Currency risk

24.3.1 Exposure to currency risk

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

	31 December 2010			31 December 2009		
	USD	**GBP**	**LYD**	USD	GBP	LYD
Trade receivables	**330,155**	**-**	**538,471**	2,171,880	-	1,713,116
Trade payables	**(11,299)**	**(6,954)**	**(616,930)**	(695,315)	(29,104)	(1,331,699)
Gross statement of financial position exposure	**318,856**	**(6,954)**	**(78,459)**	1,476,565	(29,104)	381,417
Next year's forecast sales	**6,280,471**	**-**	**1,800,000**	3,252,250	-	2,259,384
Next year's forecast purchases	**(90,857)**	**(50,354)**	**(4,016,921)**	(1,150,000)	(48,200)	(2,385,526)
Gross exposure	**6,189,614**	**(50,354)**	**(2,216,921)**	2,102,250	(48,200)	(126,142)
Available funds in foreign currency	**153,484**	**-**	**561,704**	622,026	-	679,057
Net exposure	**6,661,954**	**(57,308)**	**(1,733,676)**	4,200,841	(77,304)	934,332

The Group's exposure to currency risks related to transactions in U.S. Dollar, Pound Sterling and Libyan Dinar are discussed in note 5.5.1.

The following significant exchange rates applied during the year:

	Average Rate		**Reporting date spot rate**	
	2010	2009	**2010**	2009
USD	**1.328**	1.395	**1.325**	1.433
GBP	**0.858**	0.892	**0.857**	0.900
LYD	**1.707**	1.742	**1.645**	1.799

24.3.2 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 2009.

	Profit or loss
	€
31 December 2010	
USD	**(32,405)**
GBP	**738**
LYD	**(23,004)**
31 December 2009	
USD	(133,084)
GBP	2,940
LYD	17,579

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.

24.4 Interest rate risk

24.4.1 Profile

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

	Carrying amount	
	2010	2009
	€	€
Fixed rate instruments		
Financial assets	**569,879**	**652,889**
Variable rate instruments		
Financial liabilities	**(1,711,648)**	**(1,909,561)**

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 2009.

The Group	Profit or loss	
	100 bp increase	**100 bp decrease**
	€	€
31 December 2010		
Variable rate instruments	**(21,676)**	**21,676**
Cash flow sensitivity (net)	**(21,676)**	**21,676**
31 December 2009		
Variable rate instruments	(13,876)	13,876
Cash flow sensitivity (net)	(13,876)	13,876

Financial Statements

24.5 Fair value

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 2010		31 December 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**3,823,511**	**3,823,511**	7,207,738	7,207,738
Cash at bank and in hand	**947,356**	**947,356**	1,071,296	1,071,296
Secured bank loans	**(888,891)**	**(888,891)**	(1,308,891)	(1,308,891)
Trade and other payables	**(3,451,452)**	**(3,451,452)**	(5,328,361)	(5,328,361)
Bank overdraft	**(822,757)**	**(822,757)**	(600,670)	(600,670)
	(392,233)	**(392,233)**	1,041,112	1,041,112

The Company	31 December 2010		31 December 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**3,245,372**	**3,245,372**	4,070,901	4,070,901
Cash at bank and in hand	**4,928**	**4,928**	12,332	12,332
Trade and other payables	**(56,476)**	**(56,476)**	(227,829)	(227,829)
	3,193,824	**3,193,824**	3,855,404	3,855,404

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 the Great Libyan Arab Jamahiriya under two separate operating leases.

During the current year, contingent lease payments amounting to €423,671 (2009: €709,937) 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 (2009: €8,159);
- Unquantified claims for damages submitted by employees of a subsidiary, including a former managing director, which claims are being disputed by the subsidiary;
- An unquantified amount following a dispute by a third party against a subsidiary, which the subsidiary is contesting.
- During the 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 2010, the Company cannot reasonably quantify 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 Libya 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 2010, the Group is committed to incur capital expenditure of €621,500 (2009: €70,000).

28 Related parties

28.1 Ultimate controlling party

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, 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	
	2010	2009
	€	€
Subsidiaries		
Management fee receivable from	**-**	570,243
Payment of expenses on behalf of Company by	**107,865**	266,779
Recharge of expenses to Company by	**184,538**	253,921
Dividends receivable from	**773,839**	2,070,000
Cash received on behalf of Company by	**289,009**	-
Advances from	**5,626**	149,000
Dividends received from	**755,000**	810,000

	The Group		The Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Key management personnel				
Surrender of endowment policy	**18,033**	-	**-**	-
Payment of expenses on behalf of	**100,124**	50,491	**-**	-
Interest charged by	**-**	16,605	**-**	-
Repayment of expenses on behalf of	**78,859**	19,590	**-**	-
Other related company				
Dividends received from	**-**	-	**270,000**	-
Other related parties				
Services provided by	**8,439**	2,400	**-**	-

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.

29 Changes in classification

During the current year, the Group modified the income statement classification of non-operating exchange gains. Comparative amounts were reclassified for consistency, which resulted in €14,699 being reclassified from "finance income" to "other income".

	As previously reported	Change in classification	As restated
	€	€	€
The Group			
Other income	111,532	14,699	126,231
Results from operating activities	3,255,843	14,699	3,270,542
Finance income	15,685	(14,699)	986
Net finance costs	(72,739)	(14,699)	(87,438)

30 Subsequent events

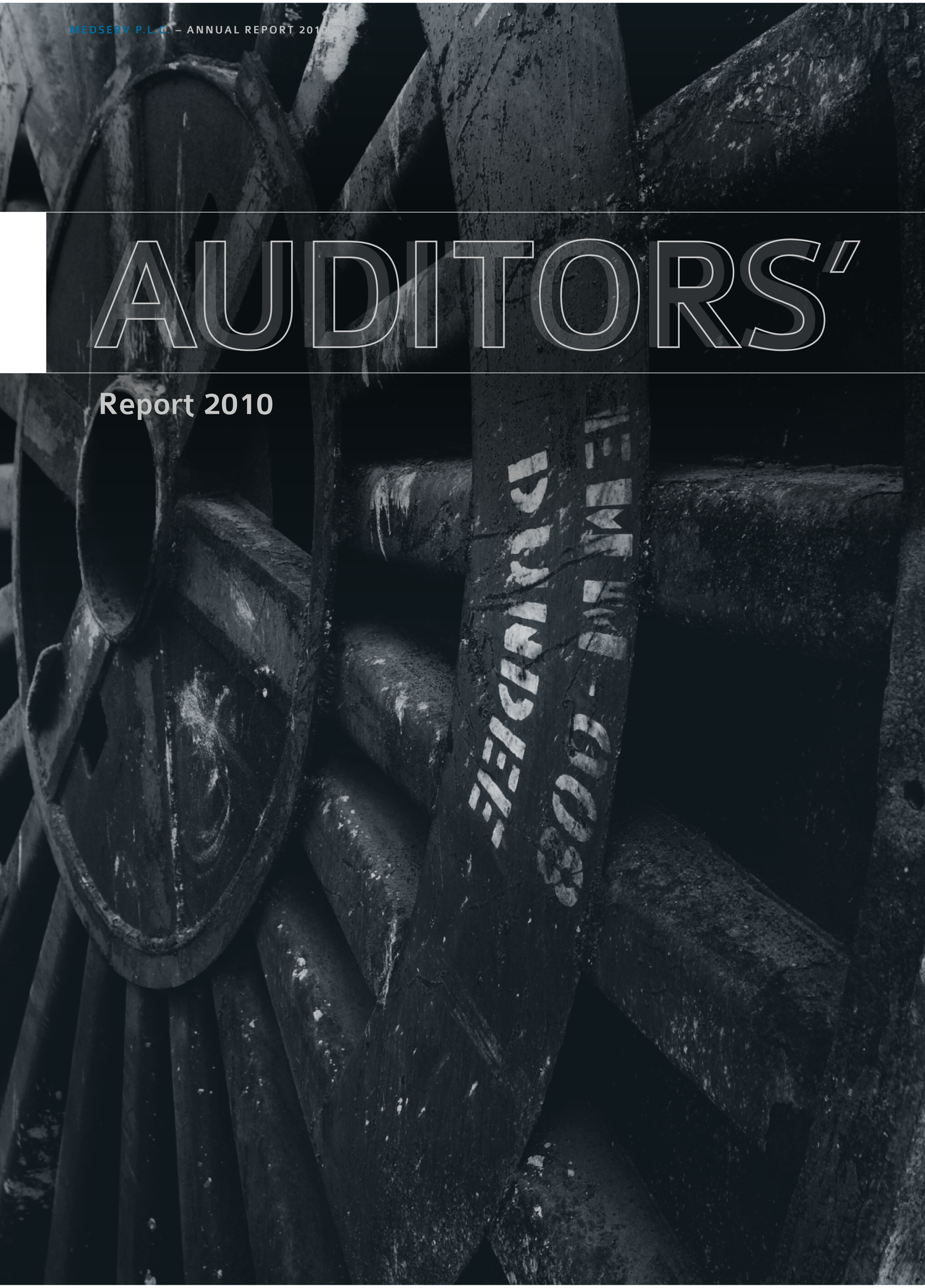
The recent events in Libya, has forced the directors to suspend the Libya operations carried out by Medserv Misurata FZC, operating from Misurata Free Zone in Libya. The directors are monitoring the situation on a day to day basis and are in constant contact with the Libyan business partners, Misurata Free Zone Authority. To date, the directors are not aware of any losses of the Group's assets situated in Misurata, Libya.

The directors are of the opinion that at this stage it is premature to comment on the consequences of the events that are still unfolding in Libya and that they cannot make an estimate of the financial effect that the present events in Libya will have on Medserv Misurata FZC's future performance and financial position.

The financial statements do not include any adjustments should Medserv Misurata FZC be unable to realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing political situation in Libya (see note 6.2).

AUDITORS'

Report 2010



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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 20 to 59, which comprise the statements of financial position as at 31 December 2010 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 1, 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 are 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 for the year ended 31 December 2010 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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Independent Auditors' Report
To the Members of Medserv p.l.c.

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 2010, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 30 in the financial statements which refers to the events that are currently taking place in Libya, to the significant uncertainty that the unrest in that country has created, and to the possible effects that these events may have on the future performance and financial position of Medserv Misurata FZC. The ultimate outcome of the political situation cannot presently be determined and, accordingly, no provision for any effects on the Group that may result has been made in the financial statements.

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

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

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

Our responsibility 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 16.

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 16 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Joseph C Schembri

(PARTNER) FOR AND ON BEHALF OF

KPMG

Registered Auditors

21 March 2011

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