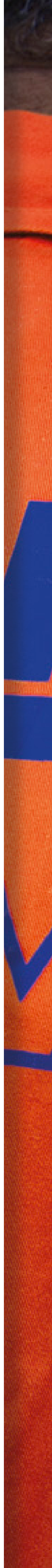
ANNUAL REPORT & FINANCIAL STATEMENTS

2014



ANNUAL REPORT & FINANCIAL STATEMENTS 2014

Company Registration Number: C 28847

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CHAIRMAN'S STATEMENT

For the Year Ended 31 December 2014

The financial results being reported by the Group for the year under review, 2014, confirm the optimism expressed in my statement covering the year 2013.

The constantly changing requirements of the market in which the Group operates, together with the geo political realities and challenges, demanded and will continue to necessitate restructuring of the way in which the Group does business. The Group has not only positioned itself to consolidate its position in the Mediterranean region but is now well placed to expand its services to other regions of the world. A strong investment programme has been put in place over the past eighteen months financed in part by a note issue of €20 million, and additional professional complement have been employed to improve performance at all levels.

The new 8,000 sqm warehouse at the Malta facility has been completed and is now fully utilized. The Hal Far site has been extended to meet increased demand, so that a further 43,000 sqm of storage area is now available to clients, most of which has already been contracted out. The investment in specialized containers amounting to €3.5 million has been concluded and the units are on contract to clients in both Malta and Cyprus. The solar farm constructed 'over' the Malta base which is expected to provide an average of 2 MWp of energy annually was implemented and went on stream in July 2014.

This programme of investment has now almost been completed so that total assets at the reporting date of 31st December 2014 stood at €80.8 million. The Group will consider further investment aimed at improving earnings should the commercial environment be favourable.

Group revenue in 2014 reached €32.4 million and earnings before interest, tax and depreciation, amounted to €5.8 million. Profit before tax amounted to €3 million, an increase of €0.8million over published forecast. The upsurge in revenue turnover and profits is largely due to the commencement of offshore drilling operations out of Malta in the last two quarters of the year and also to the start up of the Cyprus base. We estimate that current operations out of Malta and Cyprus have a duration of thirty-six months and the Group is making intensive efforts to obtain further business to strengthen this scenario.

Operations at the Misurata base remains at a low level due to the situation in Libya but a skeleton management team of Libyan nationals is still in place. However Medserv Libya Limited maintains a branch situated in Tripoli which continues to perform well and which has secured contracts for the provision of back office administration services to our clients.

There were changes to the board of the Group in 2014. Jan van Leeuwen retired after many years of sterling service to the Group, whilst in addition I am delighted to welcome as directors Joseph Zammit Tabona and Charles Daly whose great experience in their respective fields will bring substantial benefits to the Group.

All stakeholders played their part in making 2014 a successful year and in saying this I include the directors, senior management, and all the staff. To all I must extend my gratitude.

To shareholders and note holders I extend once again my sincere thanks for the trust you have shown in the Group. I can assure you that executive team will continue in its efforts to remain leaders in our sector and to further enhance the value of your investment in Medserv.

Anthony S Diacono
CHAIRMAN

23 March 2015

CORPORATE SOCIAL RESPONSIBILITY

At Medserv we are highly committed towards adopting responsible business practices that create positive change in the local communities in which we live and operate. During 2014 we:

- Donated €5,000 to Puttinu Cares to contribute to their London Project. This project involves provision of free accommodation to Maltese families that require to receive treatment in UK hospitals so as to lighten the financial burden of families during these already very difficult times.
- Supported Din l-Art Helwa, a National Trust set-up to safeguard the historic, artistic and natural heritage of Malta. We contributed €5,000 that went towards the restoration project of the Victory Church and its Treasures of the Sacristy Museum in Valletta.
- We also supported one of our employees who wished to carry out charity work in Africa by means of a sponsorship.
- We believe that our actions are able to generate change, make a difference and have a lasting impact on our community.

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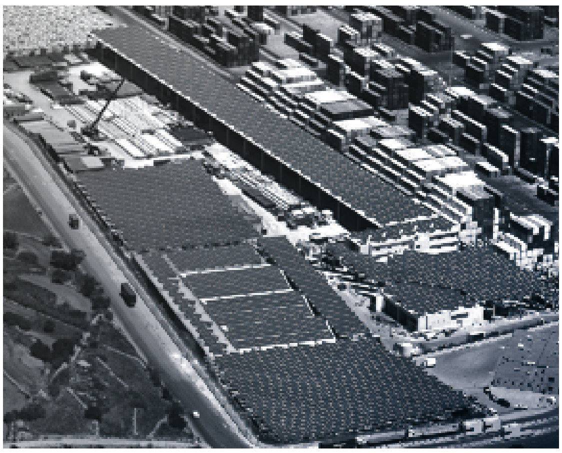

SOLAR FARM

In 2014 we invested further in green energy. In addition to the solar system already in place at our facilities in Malta Freeport, Medserv Malta's base is now also home to the first Solar Farm in Malta. The solar farm went live in June 2014. Over 8,000 photovoltaic (PV) panels now produce around 2MWp of electricity which is sold back to the local grid.

- Size of system: 2.05MWp
- No of PV panels: 8211 panels x 250w
- Average Production: 3420MWhrs/yr
- Saved Co2 emissions: 2975.30 Metric tons /yr

DIRECTORS' REPORT

For the Year Ended 31 December 2014

THE DIRECTORS PRESENT THEIR REPORT, TOGETHER WITH THE FINANCIAL STATEMENTS OF MEDSERV P.L.C. (THE "COMPANY"), FOR THE YEAR ENDED 31 DECEMBER 2014.

BOARD OF DIRECTORS

Anthony S Diacono
Anthony J Duncan
Joseph FX Zahra
Joseph Zammit Tabona (appointed 28 February 2014)
Charles Daly (appointed on 28 August 2014)
Johannes Jacobus van Leeuwen (retired on 28 August 2014)

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 Central and Eastern Mediterranean basin.

REVIEW OF BUSINESS DEVELOPMENT AND FINANCIAL POSITION

Group revenue for the year amounted to €32,382,597 (2013: €6,899,315) and the group operating profit amounted to €4,121,101 (2013: €399,285). This represents an increase of €3.7million compared to last year. The significant rate of growth is attributable to the commencement of major drilling contracts awarded during the year. Revenue included €8,015,223 which related to low margin business, which has the least beneficial effect on profit margin.

The Group operating profit before depreciation amounted to €5,782,866. After charging depreciation amounting to €1,661,765 and net finance costs amounting to €1,077,086, the Group registered a profit before tax of €3,044,015. Profit after accounting for taxation amounted to €2,185,897.

FUTURE OUTLOOK

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

DIVIDENDS

A dividend amounting to €1,400,000 (2013: €600,000) is being recommended.

RESERVES

During the year, transfers from statutory reserve to retained earnings in accordance with the Companies Act, 1995 amounted to €253,897.

GOING CONCERN

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

AUDITORS

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

DISCLOSURE IN TERMS OF THE LISTING RULES PURSUANT TO LISTING RULE 5.64

Share capital structure

The Company's authorised share capital is five million euro (€5,000,000) divided into fifty million ordinary shares of €0.10 per share. The Company's issued share capital is two million five hundred thousand euro and forty euro cents (€2,500,000.40) divided into twenty five million and four ordinary shares of €0.10 per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank pari passu between themselves.

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

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

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

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

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

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

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

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

Holdings in excess of 5% of the share capital:

On the basis of the information available to the Company as at the 31 December 2014, the following persons hold 5% or more of its issued share capital:

Malampaya Investments Limited	37.5%	(9,375,000 shares)
Anthony S Diacono	37.5%	(9,375,000 shares)
Rizzo Farrugia & Co (Stockbrokers) Ltd	5.67%	(1,417,039 shares)

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

Appointment/Replacement of Directors:

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

(a) Any shareholder/s who, in the aggregate, holds not less than 0.5% of the total shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a director of the Company. The directors themselves or a committee thereof may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

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

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

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

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

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

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

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

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

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

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

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

Amendment to the Memorandum and Articles of Association:

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

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

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

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

Board members' powers:

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

In particular, the Directors are authorised to issue shares in the Company with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors may from time to time determine, as long as such issue of Equity Securities falls within the authorised share capital of the Company.

Unless the shareholders otherwise approve in a general meeting, the Company shall not in issuing and allotting new shares:

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

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

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

Save as otherwise disclosed herein, the provisions of Listing Rules 5.64.2, 5.64.4 to 5.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

PURSUANT TO LISTING RULE 5.70.2

Company Secretaries:
Dr Louis de Gabriele LL.D.
Dr Laragh Cassar LL.D.

Registered Office of Company:
Port of Marsaxlokk
Birzebbugia
Malta

Telephone:
(+356) 2220 2000

Approved by the Board of Directors on 23 March 2015 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

STATEMENT OF THE DIRECTORS

Pursuant to Listing Rule 5.68

Pursuant to Listing Rule 5.68, we, the undersigned, declare that, to the best of our knowledge, the consolidated financial statements included in this Annual Report, and 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 financial performance 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 position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 23 March 2015 by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

DIRECTORS' STATEMENT OF COMPLIANCE

with the Code of Principles of Good Corporate Governance

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

INTRODUCTION

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

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

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

PART 1: COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's principal purpose is to provide the required leadership of the Company, to set the present and future strategy of the Company and to ensure proper oversight and accountability. Throughout 2014, the Board comprised five directors, three of whom holding non-executive positions. Mr Joseph Zammit Tabona was co-opted by the board on the 28 February 2014 as a non-executive director and was subsequently elected by shareholders in the annual general meeting held on the 15 May 2014. On the 28 August 2014, Mr Johannes Jacobus van Leeuwen retired from the Board. On the same day, Mr Charles Daly was co-opted by the Board as a non-executive director.

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

The Board delegates specific responsibilities to an Audit Committee and to a Financial Risk Committee. Further details in relation to the said committees and the responsibilities of the Board are found in Principles 4 and 5 of this Statement.

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

Principle 2: Chairman and Chief Executive

The Chairman of the Company leads the Board and sets its agenda. In addition, the Chairman ensures that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company and that effective communication with shareholders is maintained.

The Chairman also encourages active engagement by all directors for discussion of complex or contentious issues. The executive responsibility for the running of the Company's business is collectively vested as explained in Part 2.

Principle 3: Composition of the Board

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

Throughout the first part of the period under review, the Board consisted of 2 executive directors and 3 non-executive directors. The non-executive directors, that is, Mr Joseph F X Zahra, Mr Joseph Zammit Tabona and Mr Charles Daly are considered to be independent within the meaning provided by the Code.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board has established a clear internal and external reporting system so that it has access to accurate, relevant and timely information and ensures that management constantly monitor performance and report to its satisfaction.

The Board has discussed and implemented a number of measures aimed at developing a succession policy with respect to Board members, particularly the executive directors of the Company.

Principle 5: Board Meetings

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

Members	Meetings attended
Anthony S Diacono	9 out of 9
Anthony J Duncan	8 out of 9
Joseph FX Zahra	8 out of 9
Joseph Zammit Tabona	5 out of 8
Charles Daly[1]	2 out of 2
Johannes Jacobus van Leeuwen[2]	2 out of 7

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

BOARD COMMITTEES

Audit Committee

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

The Audit Committee is composed of Mr Joseph FX Zahra (non-executive director and Chairman of the Audit Committee), Mr Anthony J Duncan (executive director), Mr Joseph Zammit Tabona (non-executive director) and Mr Charles Daly (non-executive director). Upon Mr Johannes Jacobus van Leeuwen's resignation on the 28 August 2014, Mr Charles Daly was appointed to the Audit Committee.

During 2014, the Audit Committee met four times.

Members	Meetings attended
Joseph FX Zahra	4 out of 4
Anthony J Duncan	4 out of 4
Joseph Zammit Tabona	3 out of 4
Charles Daly[1]	2 out of 2
Johannes Jacobus van Leeuwen[2]	1 out of 2

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

Financial Risk Management Committee

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

During 2014, the Financial Risk Management Committee met four times.

Members	Meetings attended
Anthony J Duncan	4
Karl Bartolo (Financial Controller)	4
Colin Galea (Chief Accountant)	4

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 Cyprus are headed by Mr Godfrey Attard, General Manager in Cyprus 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.

[1] Appointed on the 28 August 2014. [2] Retired on the 28 August 2014.

Principle 6: Information and Professional Development

The Board appoints the Chief Operating Officer who continues to enjoy its full support and confidence. Appointments and changes to senior management are the responsibility of the executive directors and are approved by the Board. The Board actively considers the professional and technical development of all senior management. Management prepares detailed reviews for each Board meeting covering all aspects of the Company's business.

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

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

Principle 7: Evaluation of the Board's Performance

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

Principle 8: Committees

REMUNERATION COMMITTEE

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

Principle 9: Relations with Shareholders and with the Market & Principle 10: Institutional Investors

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

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

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

Apart from the annual general meeting, the Company intends to continue with its active communication strategy in the market and shall accordingly continue to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors statements published on a six-monthly basis, and by company announcements to the market in general. During 2014, the Company also communicated to the market through a press conference at which local brokers were invited to attend. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner.

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

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

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

During the year under review, the Company donated funds to Puttinu Cares with a view to contribute towards the realization of what is known as the London Project – the provision of free accommodation to Maltese families that are required to receive treatment in UK hospitals. The Company also donated funds to Din l-Art Helwa, a non-governmental, not-for-profit, voluntary organisation founded in 1965 to safeguard the historic, artistic and natural heritage of Malta. Furthermore, the Company also sponsored one of its employees to carry out charity work in Africa.

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

PART 2: NON-COMPLIANCE WITH THE CODE

Principle 2 – Chairman and Chief Executive

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

Principle 3 – Composition of the Board

The Board has not appointed one of the independent non-executive directors to be the senior independent director.

Principle 8B (Nomination Committee)

Pursuant to the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). Any shareholder/s who in the aggregate hold not less than 0.5% of the total number of issued shares having voting rights in the Company is entitled to nominate a fit and proper person for appointment as a director of the Company. Furthermore, in terms of the memorandum and articles of association of the Company, the directors themselves are entitled to make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

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

Code Provision 9.3

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

INTERNAL CONTROL

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

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

Organisation

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

Control environment

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

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

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

Risk identification

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

LISTING RULE 5.97.5

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

GENERAL MEETINGS AND SHAREHOLDERS' RIGHTS

Conduct of general meetings

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

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

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

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

(i) the Chairman of the meeting; or
(ii) by at least three (3) members present in person or by proxy; or
(iii) any member or members present in person or by proxy and representing not less than one tenth of the total voting power of all members having the right to vote at that meeting; or
(iv) a member or members present in person or by proxy holding equity securities conferring a right to vote at the meeting, being equity securities on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the equity securities conferring that right.

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

Proxy

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

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

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

Including items on the agenda

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

Questions

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

Electronic voting

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

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

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

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

REMUNERATION STATEMENT

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

Remuneration Policy – Senior Executives

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

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

Remuneration Policy – Directors

The Board determines the framework of the remuneration policy for the members of the Board as a whole. The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting. The financial statements disclose an aggregate figure in respect of the directors' emoluments which with respect to the period under review amounted to €378,961 (entirely representing a fixed remuneration). Directors' emoluments are designed to reflect the directors' knowledge of the business and time committed to the Company's affairs.

Signed on behalf of the Board of Directors on 23 March 2015 by:

Joseph FX Zahra
DIRECTOR AND CHAIRMAN OF AUDIT COMMITTEE

DIRECTORS' RESPONSIBILITY

For the Financial Statements

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

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

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

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

FINANCIAL STATEMENTS 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		The Group			The Company	
		31.12.2014	31.12.2013	01.01.2013	**31.12.2014**	31.12.2013
			Restated	Restated		
	Note	**€**	€	€	**€**	€
ASSETS						
Property, plant and equipment	13	**23,341,986**	8,330,709	5,064,529	**-**	-
Investments in subsidiaries	14	**-**	-	-	**343,613**	343,613
Investment in joint venture	15	**-**	-	-	**-**	-
Prepaid operating lease	27	**34,899,006**	35,674,539	36,450,072	**-**	-
Receivable from subsidiaries	18	**-**	-	-	**19,255,914**	9,884,158
Deferred tax assets	16	**4,062,971**	4,577,440	4,315,046	**-**	-
Total non-current assets		**62,303,963**	48,582,688	45,829,647	**19,599,527**	10,227,771
Inventories	17	**-**	-	73,671	**-**	-
Prepaid operating lease	27	**775,533**	775,533	775,533	**-**	-
Trade and other receivables	18	**16,641,205**	3,868,246	3,259,268	**5,571,259**	5,916,307
Cash at bank and in hand	25	**1,115,693**	5,682,988	530,729	**-**	1,232
Total current assets		**18,532,431**	10,326,767	4,639,201	**5,571,259**	5,917,539
Total assets		**80,836,394**	58,909,455	50,468,848	**25,170,786**	16,145,310

The notes on pages 34 to 69 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION – CONT.

AS AT 31 DECEMBER 2014

		The Group			The Company	
		31.12.2014	31.12.2013	01.01.2013	**31.12.2014**	31.12.2013
			Restated	Restated		
	Note	€	€	€	€	€
EQUITY						
Share capital	19	**2,500,000**	2,500,000	2,329,370	**2,500,000**	2,500,000
Reserves	19	**4,352,864**	4,606,761	4,318,333	**-**	-
Retained earnings		**2,362,960**	772,443	957,979	**1,484,010**	876,355
Total equity attributable to equity-holders of the Company		**9,215,824**	7,879,204	7,605,682	**3,984,010**	3,376,355
Non-controlling interest		**257,096**	277,819	345,167	**-**	-
Total equity		**9,472,920**	8,157,023	7,950,849	**3,984,010**	3,376,355
LIABILITIES						
Deferred income	21	**34,899,006**	35,674,539	36,450,072	**-**	-
Loans and borrowings	22	**21,137,818**	12,552,853	943,214	**19,689,330**	12,552,853
Provisions	23	**29,581**	37,083	36,952	**-**	-
Deferred tax liabilities		**47,004**	-	-	**-**	-
Total non-current liabilities		**56,113,409**	48,264,475	37,430,238	**19,689,330**	12,552,853
Current tax payable		**141,952**	-	24,620	**-**	-
Deferred income	21	**775,533**	775,533	775,533	**-**	-
Loans and borrowings	22	**4,880,499**	-	2,261,296	**1,257,632**	-
Trade and other payables	24	**9,452,081**	1,712,424	2,026,312	**239,814**	216,102
Total current liabilities		**15,250,065**	2,487,957	5,087,761	**1,497,446**	216,102
Total liabilities		**71,363,474**	50,752,432	42,517,999	**21,186,776**	12,768,955
Total equity and liabilities		**80,836,394**	58,909,455	50,468,848	**25,170,786**	16,145,310

The notes on pages 34 to 69 are an integral part of these financial statements.

The financial statements on pages 26 to 69 were approved and authorised for issue by the Board of Directors on 23 March 2015 and signed on its behalf by:

Anthony S Diacono
CHAIRMAN

Anthony J Duncan
DIRECTOR

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**€**	€	**€**	€
CONTINUING OPERATIONS					
Revenue	7	**32,382,597**	6,899,315	**1,817,662**	-
Cost of sales	9	**(24,854,968)**	(4,946,609)	**-**	-
Gross profit		**7,527,629**	1,952,706	**1,817,662**	-
Other income	8	**242,984**	40,210	**-**	-
Administrative expenses	9	**(3,647,703)**	(1,589,094)	**(118,857)**	(71,083)
Other expenses	8	**(1,809)**	(4,537)	**-**	-
Results from operating activities		**4,121,101**	399,285	**1,698,805**	(71,083)
Finance income	11	**2,371**	13,990	**1,024,365**	106,290
Finance costs	11	**(1,079,457)**	(281,336)	**(1,097,853)**	(179,928)
Net finance costs	11	**(1,077,086)**	(267,346)	**(73,488)**	(73,638)
Share of loss of joint venture (net of tax)	15	**-**	-	**-**	-
Profit / (loss) before income tax		**3,044,015**	131,939	**1,625,317**	(144,721)
Tax (expense)/ income	12	**(858,118)**	262,394	**(417,662)**	-
Profit / (loss) for the year		**2,185,897**	394,333	**1,207,655**	(144,721)
Profit / (loss) attributable to:					
Owners of the Company		**1,936,620**	387,278	**1,207,655**	(144,721)
Non-controlling interest		**249,277**	7,055	**-**	-
Profit / (loss) for the year		**2,185,897**	394,333	**1,207,655**	(144,721)
Total comprehensive income for the year		**2,185,897**	394,333	**1,207,655**	(144,721)
Earnings / (loss) per share	20	**7c7**	1c5	**4c8**	(0c6)

The notes on pages 34 to 69 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – THE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company						
	Share capital	Legal reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2013	2,329,370	60,000	4,258,333	957,979	7,605,682	345,167	7,950,849
Total comprehensive income for the year							
Profit for the year	-	-	-	387,278	387,278	7,055	394,333
Contributions by and distributions to owners							
Acquisition and disposal of non-controlling interest (note 14.3)	-	-	-	(113,756)	(113,756)	15,597	(98,159)
Capitalisation of earnings	170,630	-	-	(170,630)	-	-	-
Dividends to equity holders	-	-	-	-	-	(90,000)	(90,000)
Transfer from retained earnings	-	-	288,428	(288,428)	-	-	-
Balance at 31 December 2013	2,500,000	60,000	4,546,761	772,443	7,879,204	277,819	8,157,023
Balance at 1 January 2014	**2,500,000**	**60,000**	**4,546,761**	**772,443**	**7,879,204**	**277,819**	**8,157,023**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	**1,936,620**	**1,936,620**	**249,277**	**2,185,897**
Contributions by and distributions to owners							
Dividends to equity holders	**-**	**-**	**-**	**(600,000)**	**(600,000)**	**(270,000)**	**(870,000)**
Transfer to retained earnings	**-**	**-**	**(253,897)**	**253,897**	**-**	**-**	**-**
Balance at 31 December 2014	**2,500,000**	**60,000**	**4,292,864**	**2,362,960**	**9,215,824**	**257,096**	**9,472,920**

The notes on pages 34 to 69 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	€	€	€
Balance at 1 January 2013	2,329,370	1,191,706	3,521,076
Total comprehensive income for the year			
Loss for the year	-	(144,721)	(144,721)
Contributions by and distributions to owners			
Capitalisation of earnings	170,630	(170,630)	-
Balance at 31 December 2013	2,500,000	876,355	3,376,355
Balance at 1 January 2014	**2,500,000**	**876,355**	**3,376,355**
Total comprehensive income for the year			
Profit for the year	**-**	**1,207,655**	**1,207,655**
Contributions by and distributions to owners			
Dividends paid to equity holders	**-**	**(600,000)**	**(600,000)**
Balance at 31 December 2014	**2,500,000**	**1,484,010**	**3,984,010**

The notes on pages 34 to 69 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**€**	€	**€**	€
Cash flows from operating activities					
Profit / (loss) for the year		**2,185,897**	394,333	**1,207,654**	(144,721)
Adjustments for:					
Depreciation		**1,661,765**	503,117	**-**	-
Tax expense / (income)		**858,118**	(262,394)	**417,662**	-
Bad debts written off		**-**	8,574	**-**	-
Reversal of impairment loss on trade receivables		**(8,230)**	(9,763)	**-**	-
Provision for exchange fluctuations		**(1,288)**	4,537	**-**	-
(Reversal) / provision for discounted future gratuity		**(7,503)**	132	**-**	-
Gain on sale of property, plant and equipment		**(10,200)**	-	**-**	-
Interest payable		**1,079,457**	281,336	**1,097,853**	179,928
Interest receivable		**(2,371)**	(13,990)	**(1,024,365)**	(106,290)
Dividend income		**-**	-	**(1,817,662)**	-
		5,755,645	905,882	**(118,858)**	(71,083)
Change in inventories		**-**	73,671	**-**	-
Change in trade and other receivables		**(14,447,267)**	(502,011)	**3,182**	(9,679)
Change in trade and other payables		**6,056,024**	(830,409)	**87,508**	10,250
Change in related party balances		**(1,808)**	38,272	**(475,199)**	69,865
Change in shareholders' balances		**(4,246)**	2,707	**-**	-
Change in directors' balances		**-**	(3,692)	**-**	-
Cash absorbed by operating activities		**(2,641,652)**	(315,580)	**(503,368)**	(647)
Interest paid		**(25,572)**	(111,899)	**(5,349)**	-
Interest received		**2,372**	1,315	**-**	-
Tax paid		**(143,881)**	(24,620)	**-**	-
Net cash used in operating activities		**(2,808,733)**	(450,784)	**(508,717)**	(647)
Balance carried forward before investing and financing		**(2,808,733)**	(450,784)	**(508,717)**	(647)

The notes on pages 34 to 69 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS – CONT.

FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**€**	€	**€**	€
Balance carried forward before investing and financing		**(2,808,733)**	(450,784)	**(508,717)**	(647)
Cash flows from investing activities					
Investment in subsidiaries		**-**	(38,000)	**-**	-
Advances to subsidiaries		**-**	-	**(6,812,251)**	-
Acquisition of property, plant and equipment		**(13,431,154)**	(3,499,338)	**-**	-
Receipts from disposal of assets		**10,200**	-	**-**	-
Interest received		**-**	-	**681,926**	-
Net cash used in investing activities		**(13,420,954)**	(3,537,338)	**(6,130,325)**	-
Cash flows from financing activities					
Loan advanced by bank		**1,267,673**	2,172,909	**-**	-
Loan advanced by non-controlling interest		**1,300,000**	-	**-**	-
Repayments of bank loans		**(65,255)**	(3,569,259)	**-**	-
Interest paid on bank loans		**(3,147)**	(60,865)	**-**	-
Interest paid to related parties		**(34,372)**	-	**-**	-
Issue of shares		**-**	240	**-**	-
Issue of notes		**7,105,000**	13,000,000	**7,105,000**	-
Issue costs		**(190,693)**	(556,508)	**(292,749)**	-
Interest paid on notes		**(836,981)**	-	**(836,981)**	-
Dividends paid to non-controlling interest		**(90,000)**	(60,043)	**-**	-
Dividends paid to owners of the Company		**(595,092)**	-	**(595,092)**	-
Net cash from financing activities		**7,857,133**	10,926,474	**5,380,178**	-
Net (decrease) / increase in cash and cash equivalents		**(8,372,554)**	6,938,352	**(1,258,864)**	(647)
Cash and cash equivalents at 1 January		**5,644,488**	(1,316,101)	**1,232**	1,879
Effect of exchange rate fluctuations on cash held		**1,957**	22,237	**-**	-
Cash pledged as guarantee released		**38,500**	-	**-**	-
Cash and cash equivalents at 31 December	25	**(2,687,609)**	5,644,488	**(1,257,632)**	1,232

The notes on pages 34 to 69 are an integral part of these financial statements.


MED
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10

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 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in a joint venture (see note 14). The Group is primarily involved in providing services and support to the offshore oil and gas industry operating mainly in the Mediterranean basin with a focus on the industry's activities in North Africa.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis. The methods used to measure fair values for disclosure purposes are discussed further in note 26.

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;
- Note 13 – Capitalisation of expenses;
- Note 18 – Deferral of costs directly attributable to service contracts;
- Note 21 – Deferred income; and
- Note 27 – Prepaid operating lease

3 CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group and Company have consistently applied the accounting policies in note 4 to all periods presented in these financial statements.

During 2014, the Group changed its accounting policy on the recognition and measurement of an emphyteutical grant over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. Until 31 December 2013, the Group had been recognising the property rights conferred by virtue of the said grant as an operating lease and measuring these rights at a nominal amount in accordance with the Group's accounting policies on grants. On 31 December 2014, the Company elected to recognise the property rights and the grant at fair value. As a result, deferred income and an equivalent non-monetary asset (referred to as 'prepaid operating lease') were initially recognised at fair value and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset using the income approach. The fair value of the non-monetary asset and related deferred income were determined with reference to the valuation of the underlying property rights by an independent professional valuer as at 31 December 2012.

The Group applied the change in accounting policy retrospectively and restated the comparative periods to recognise the fair value of the property rights as at grant date. The following table summarises the impact on the Group's financial statements.

STATEMENT OF FINANCIAL POSITION

As at 1 January 2013	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	€	€	€
Prepaid operating lease	-	36,450,072	36,450,072
Total non-current assets	9,379,575	36,450,072	45,829,647
Prepaid operating lease	-	775,533	775,533
Total current assets	3,863,668	775,533	4,639,201
Total assets	**13,243,243**	**37,225,605**	**50,468,848**
Total equity	7,950,849	-	7,950,849
Deferred income	-	36,450,072	36,450,072
Total non-current liabilities	980,166	36,450,072	37,430,238
Deferred income	-	775,533	775,533
Total current liabilities	4,312,228	775,533	5,087,761
Total liabilities	5,292,394	37,225,605	42,517,999
Total equity and liabilities	**13,243,243**	**37,225,605**	**50,468,848**

As at 31 December 2013	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	€	€	€
Prepaid operating lease	-	35,674,539	35,674,539
Total non-current assets	12,908,149	35,674,539	48,582,688
Prepaid operating lease	-	775,533	775,533
Total current assets	9,551,234	775,533	10,326,767
Total assets	**22,459,383**	**36,450,072**	**58,909,455**
Total equity	8,157,023	-	8,157,023
Deferred income	-	35,674,539	35,674,539
Total non-current liabilities	12,589,936	35,674,539	48,264,475
Deferred income	-	775,533	775,533
Total current liabilities	1,712,424	775,533	2,487,957
Total liabilities	14,302,360	36,450,072	50,752,432
Total equity and liabilities	**22,459,383**	**36,450,072**	**58,909,455**

4 SIGNIFICANT ACCOUNTING POLICIES

Certain comparative amounts in the separate financial statements have been reclassified to conform with the current year's presentation.

4.1 BASIS OF CONSOLIDATION

4.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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.

4.1.2 Interests in joint venture

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which joint control ceases.

4.1.3 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.

4.2 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.

4.3 FINANCIAL INSTRUMENTS

The Group classifies non-derivative financial assets and non-derivative financial liabilities into the categories of 'loans and receivables' and 'other financial liabilities', respectively.

4.3.1 Non-derivative financial assets – recognition and derecognition

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.

At reporting date, the Company's loans and receivables comprise loans to subsidiaries, cash and cash equivalents and trade and other receivables. On the same date, the Group's loans and receivables comprise cash and cash equivalents and trade and other receivables.

4.3.2 Non-derivative financial liabilities - recognition and derecognition

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 secured notes, loans and borrowings, a bank overdraft and trade and other payables.

4.3.3 Non-derivative financial assets - measurement

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and call deposits, as well as a bank overdraft that is repayable on demand and formed an integral part of the Group's cash management.

4.3.4 Non–derivative financial liabilities - measurement

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

A bank overdraft that was repayable on demand and formed an integral part of the Group's cash management was included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

4.3.5 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.

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.1 Recognition and measurement

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

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

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

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.

4.4.2 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.

4.4.3 Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property developed and related improvements made on leased land are depreciated over the shorter of the land's lease term and the useful lives of the building and improvements unless it is reasonably certain that the Group will obtain ownership of the land 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 property, plant and equipment is first brought to use and none during the year in which the item is disposed of or scrapped.

In the case of the cargo carrying units and the photovoltaic farm, it was considered more adequate to charge depreciation from the month in which items are brought to use and will be charged until the month in which these are disposed of or scrapped.

No depreciation is recognised on items of property, plant and equipment which are not yet in use.

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

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

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

4.5 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.

4.6 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

4.7 IMPAIRMENT

4.7.1 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.

4.7.2 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.

4.8 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

4.8.1 Investments in subsidiaries

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

4.8.2 Investment in joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

4.9 EMPLOYEE BENEFITS

4.9.1 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.

4.9.2 Other long-term employee benefits

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

4.10 REVENUE

The Group is engaged in providing services and support to the offshore oil and gas industry and as such is involved in providing support services which span over a term and is selling goods and supplies. In this regard revenue is recognised and measured as follows:

4.10.1 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.

4.10.2 Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, 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. revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfers of risks and rewards occurs when the product is loaded onto the client's vessel. Generally for such products the customer has no right of return.

4.10.3 Dividends

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

4.11 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.

4.12 FINANCE INCOME AND FINANCE COSTS

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.

4.13 GOVERNMENT GRANTS

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

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

4.14 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 they relate 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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.

4.15 EARNINGS / (LOSS) PER SHARE

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

4.16 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.

4.17 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.

5 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

6.0 OPERATING SEGMENTS

6.1

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units operate from three 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, which is the Chief Operating Decision Maker, which is the Chief Opeating Decision Maker, reviews internal management reports on a monthly 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 to the offshore petro-chemical industry from a base in Kalafrana, Malta.

LIBYA OPERATION

Includes the provision of comprehensive logistical support services to the onshore and offshore petro-chemical industry from a base in Misurata, Libya, as well as the operation of a local branch with its office in Tripoli.

CYPRUS OPERATION

Includes the provision of comprehensive logistical support services to the offshore petro-chemical industry from a base in Larnaca, Cyprus.

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		Cyprus operation		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	€	€	**€**	€	**€**	€	**€**	€
External revenues	**22,691,851**	6,571,222	**445,513**	328,093	9,449,043	-	**32,586,407**	6,899,315
Inter-segment revenue	**-**	-	**-**	56,251	-	-	**-**	56,251
Segment revenue	**22,691,851**	6,571,222	**445,513**	384,344	9,449,043	-	**32,586,407**	6,955,566
Interest revenue	**-**	12,675	**36**	237	2,335	1,078	**2,371**	13,990
Interest expense	**(678,846)**	(196,787)	**-**	-	(400,611)	(10,911)	**(1,079,457)**	(207,698)
Depreciation	**(920,705)**	(317,309)	**(172,096)**	(185,808)	(558,535)	-	**(1,651,336)**	(503,117)
Reportable segment profit / (loss) before income tax	**1,947,392**	284,812	**(169,116)**	55,359	1,459,834	(58,815)	**3,238,110**	281,356
Reportable segment assets	**66,621,641**	56,968,204	**1,278,588**	1,246,499	14,051,859	619,669	**81,952,088**	58,834,372
Capital expenditure	**9,244,917**	3,358,160	**4,164**	-	6,038,002	-	**15,287,083**	3,358,160
Reportable segment liabilities	**58,552,880**	47,351,560	**391,866**	146,533	13,052,696	3,186,393	**71,997,442**	50,684,486

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

	2014	2013
	€	€
Revenues		
Total revenue for reportable segments	**32,586,407**	6,955,566
Elimination of inter-segment revenue	**-**	(56,251)
Consolidated revenues	**32,586,407**	6,899,315
Profit or loss		
Total profit or loss for reportable segments	**3,238,110**	281,356
Unallocated amounts:		
Other corporate expenses	**(120,610)**	(75,779)
Other interest payable	**(73,485)**	(73,638)
Consolidated profit before income tax	**3,044,015**	131,939
Assets		
Total assets for reportable segments	**81,952,088**	58,834,372
Unallocated amounts	**26,823**	130,792
Inter-segment eliminations	**(1,142,517)**	(55,709)
Consolidated total assets	**80,836,394**	58,909,455
Liabilities		
Total liabilities for reportable segments	**71,997,442**	50,684,486
Unallocated amounts	**674,629**	123,725
Inter-segment eliminations	**(1,308,597)**	(55,709)
Consolidated total liabilities	**71,363,474**	50,752,502

6.4 GEOGRAPHICAL INFORMATION

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

	Revenues	Non-current Assets
	€	€
31 December 2014		
Libya	**10,295,620**	**377,322**
Italy	**3,105,065**	**-**
Cyprus	**9,449,043**	**6,479,995**
Switzerland	**8,143**	**-**
UK	**5,072,351**	**-**
Malta	**2,177,268**	**51,383,675**
USA	**192,465**	**-**
Other countries	**2,286,452**	**-**
	32,586,407	**58,240,992**

	Revenues	Non-current Assets
	€	€
31 December 2013		
Libya	3,176,394	545,252
Italy	1,361,818	-
Switzerland	13,901	-
UK	212,781	-
Malta	1,587,343	43,459,996
USA	5,600	-
Other countries	541,478	-
	6,899,315	44,005,248

Group revenues from transactions with a single external customer amounted to approximately €9.4 million (2013: €2.5 million). Revenues are being analysed by country of incorporation of customers.

SITUATION IN LIBYA

The Group's Libya base operation sustained minimal operational activity during the year resulting from persistent effects of the 2011 uprising and the political scenario in the region. However a number of companies in the oil industry which were previously carrying on business in Libya, have moved their operations to the Group's Malta base thus yielding substantial benefit to the Group.

7 REVENUE

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

Category of activity	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	€	€
Logistical support and other services	**32,382,597**	6,899,315	**-**	-
Dividend income	**-**	-	**1,817,662**	-

8 OTHER INCOME AND OTHER EXPENSES

8.1 OTHER INCOME

		The Group	
		2014	2013
	Note	**€**	€
Realised operating exchange gain		**24,593**	6,119
Gain on sale of property, plant and equipment		10,200	-
Photovoltaic income		**203,810**	21,623
Government grant		**4,381**	12,468
Reversal of prepaid operating lease	27.2	**(775,533)**	-
Reversal of deferred income	21	**775,533**	-
		242,984	40,210

8.2 OTHER EXPENSES

Other expenses incurred in the current and comparative year represented net unrealised operating exchange losses.

9 EXPENSES BY NATURE

9.1

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**€**	€	**€**	€
Direct cost of services		**19,234,038**	3,208,467	**-**	-
Employee benefit expense	10	**3,494,446**	1,504,334	**-**	-
Depreciation	13	**1,661,765**	503,117	**-**	-
Professional fees		**458,693**	267,338	**42,556**	33,248
Listing expenses		**42,737**	-	**42,737**	-
Travelling and telecommunications		**569,242**	236,682	**-**	-
Repairs and maintenance		**585,256**	281,913	**-**	-
Rent	27	**1,298,211**	246,546	**-**	-
Insurance		**196,390**	108,317	**-**	-
Other expenses		**961,893**	178,989	**33,564**	37,835
Total cost of sales and administrative expenses		**28,502,671**	6,535,703	**118,857**	71,083

9.2 The total fees charged to the Group by the independent auditors during 2014 can be analysed as follows:

	€
Auditors' remuneration	**65,000**
Tax advisory services	**6,800**
Other non-audit services	**26,550**
	98,350

10 PERSONNEL EXPENSES

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

	The Group	
	2014	2013
	€	€
Directors' emoluments:		
Remuneration	**300,000**	238,957
Fees	**78,961**	49,904
	378,961	288,861
Wages and salaries	**2,829,449**	1,140,507
Social security contributions	**251,303**	80,190
Special contribution	**34,733**	-
Government grant - employment aid	**-**	(5,224)
	3,494,446	1,504,334

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

	2014	2013
	No.	No.
Operating	**95**	47
Management and administration	**28**	10
	123	57

11 FINANCE INCOME AND FINANCE COSTS

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Bank interest receivable	**2,371**	13,990	**21,646**	-
Interest receivable from subsidiaries	**-**	-	**1,002,719**	106,290
Finance income	**2,371**	13,990	**1,024,365**	106,290
Interest payable on bank loans	**(4,523)**	(57,665)	**(21,750)**	-
Other bank interest payable	**(134,577)**	(86,215)	**-**	-
Interest payable to note holders	**(940,357)**	(136,508)	**(1,076,103)**	(179,928)
Other interest payable	**-**	(948)	**-**	-
Finance costs	**(1,079,457)**	(281,336)	**(1,097,853)**	(179,928)
Net finance costs	**(1,077,086)**	(267,346)	**(73,488)**	(73,638)

12 TAX (EXPENSE) / INCOME

12.1 RECOGNISED IN THE INCOME STATEMENT

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current tax expense				
Taxation	**(286,013)**	-	**(417,662)**	-
	(286,013)	-	**(417,662)**	-
Deferred tax movement				
Origination and reversal of temporary differences	**(572,105)**	262,394	**-**	-
Total tax (expense) / income	**(858,118)**	262,394	**(417,662)**	-

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

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit / (loss) before tax	**3,044,015**	131,939	**1,625,317**	(144,721)
Income tax using the domestic income tax rate	**(1,065,405)**	(46,179)	**(568,861)**	50,652
Tax effect of:				
Expenses not deductible by way of capital allowances in determining taxable income	**-**	(191)	**-**	-
Business Promotion Act investment tax credits	**179,481**	405,812	**-**	-
Disallowed expenses	**(255,051)**	(119,129)	**(67,321)**	(50,652)
Difference in tax rates applicable to Group entities	**114,819**	-	**-**	-
Exempt dividends	**1,533**	-	**-**	-
Exempt income	**115,014**	21,864	**218,520**	-
Special contribution to the defence fund	**(484)**	-	**-**	-
Adjustment to prior years' deferred tax asset	**51,975**	217	**-**	-
	(858,118)	262,394	**(417,662)**	-

The applicable tax rate is the statutory local income tax rate of 35% for income generated in Malta. The results from operations in Cyprus are subject to the statutory local income tax of 12.5%. The operations in Libya are not subject to tax except for services provided outside Misurata free zone (see note 12.3).

12.3 INCOME TAX OF OPERATIONS IN LIBYA

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

12.4 The Company's subsidiary, Medserv Operations Limited is eligible to the incentives provided by regulations 5 and 31 of the Business Promotion Regulations, 2001 ("BPRs") and regulation 4 of the Investment Aid Regulations ("IARs").

13 PROPERTY, PLANT AND EQUIPMENT – THE GROUP

13.1

	Total	Buildings	Base improvements	Plant and equipment	Photo-voltaic farm	Cargo carrying units	Furniture and fittings	Health and safety equipment	Office and computer equipment	Motor vehicles	Payment in advance and assets under construction
	€	€	€	€	€	€	€	€	€	€	€
Cost											
Balance at 01.01.13	9,221,108	3,684,600	95,766	4,161,518	-	-	631,879	13,196	422,239	211,910	-
Acquisitions	3,806,171	74,247	-	233,207	-	-	62,945	-	29,076	48,536	3,358,160
Balance at 31.12.13	13,027,279	3,758,847	95,766	4,394,725	-	-	694,824	13,196	451,315	260,446	3,358,160
Balance at 01.01.14	13,027,279	3,758,847	95,766	4,394,725	-	-	694,824	13,196	451,315	260,446	3,358,160
Acquisitions	16,673,042	2,072,727	2,473,802	4,944,125	1,627,306	2,093,021	559,745	-	169,371	169,997	2,562,948
Transfers from plant and equipment	-	-	-	(178,052)	178,052	-	-	-	-	-	-
Transfers from payments in advance and assets under construction	-	2,350,578	-	-	2,195,000	-	-	-	-	-	(4,545,578)
Disposal	(124,800)	-	-	(106,565)	-	-	-	-	-	(18,235)	-
Balance at 31.12.14	**29,575,521**	**8,182,152**	**2,569,568**	**9,054,233**	**4,000,358**	**2,093,021**	**1,254,569**	**13,196**	**620,686**	**412,208**	**1,375,530**
Depreciation											
Balance at 01.01.13	4,156,579	798,406	50,000	2,381,471	-	-	346,678	13,196	373,377	193,451	-
Charge for the year	503,117	60,815	9,576	308,560	-	-	68,824	-	28,799	26,543	-
Charge for the year – capitalised	36,874	-	-	36,874	-	-	-	-	-	-	-
Balance at 31.12.13	4,696,570	859,221	59,576	2,726,905	-	-	415,502	13,196	402,176	219,994	-
Balance at 01.01.14	4,696,570	859,221	59,576	2,726,905	-	-	415,502	13,196	402,176	219,994	-
Transfers from plant and equipment	-	-	-	(9,371)	9,371	-	-	-	-	-	-
Charge for the year	1,661,765	109,716	379,127	759,849	95,436	96,364	116,752	-	53,219	51,302	-
Disposals	(124,800)	-	-	(106,565)	-	-	-	-	-	(18,235)	-
Balance at 31.12.14	**6,233,535**	**968,937**	**438,703**	**3,370,818**	**104,807**	**96,364**	**532,254**	**13,196**	**455,395**	**253,061**	**-**

13 PROPERTY, PLANT AND EQUIPMENT – THE GROUP (Continued)

13.1

	Total	Buildings	Base improvements	Plant and equipment	Photo-voltaic farm	Cargo carrying units	Furniture and fittings	Health and safety equipment	Office and computer equipment	Motor vehicles	Payment in advance and assets under construction
	€	€	€	€	€	€	€	€	€	€	€
Carrying amounts											
At 1 January 2013	5,064,529	2,886,194	45,766	1,780,047	-	-	285,201	-	48,862	18,459	-
At 31 December 2013	8,330,709	2,899,626	36,190	1,667,820	-	-	279,322	-	49,139	40,452	3,358,160
At 1 January 2014	**8,330,709**	**2,899,626**	**36,190**	**1,667,820**	**-**	**-**	**279,322**	**-**	**49,139**	**40,452**	**3,358,160**
At 31 December 2014	**23,341,986**	**7,213,215**	**2,130,865**	**5,683,415**	**3,895,551**	**1,996,657**	**722,315**	**-**	**165,291**	**159,147**	**1,375,530**

13.2 At 31 December 2014, the Group still used fully depreciated plant and equipment that had a gross carrying amount of €1,014,262 (2013: €1,222,576).

13.3 The Group's buildings are constructed on land held under title of temporary emphyteusis from Malta Freeport Corporation Limited for a period up to 29 May 2045. On 5 December 2012, the Group entered into a lease agreement with Malta Freeport Corporation Limited that would extend the right of use of the said land until 29 May 2060.

13.4 Payments in advance and assets under construction at the beginning of the year related to the photovoltaic equipment and construction cost for the development of the 2011 kWp photovoltaic farm and included capitalized borrowing costs of €59,645, capitalized depreciation of €36,874 and capitalized personnel expenses of €36,404. During 2014, borrowing costs and personnel expenses amounting to €135,749 and €36,523 respectively were further capitalized until the photovoltaic farm was completed. Upon completion, the total cost of the farm amounting to €4,545,578 was reclassified from payments in advance and assets under construction to the respective property, plant and equipment categories.

13.5 COMMITMENTS

During 2014, the Group entered into contracts to purchase property, plant and equipment in 2015 for €467,692 (2013: €1,841,052).

13.6 SECURITY

At 31 December 2014, the Group's emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to Note 27.3) were subject to a general hypothec and a special hypothec in relation to the notes issue and bank borrowings by the Group (refer to Note 22.3).

14 INVESTMENTS IN SUBSIDIARIES

14.1

	Capital subscribed
	€
At 1 January 2013	343,613
At 1 December 2013	343,613
At 1 January 2014	**343,613**
At 31 December 2014	**343,613**

14.2 LIST OF SUBSIDIARIES AND SUB-SUBSIDIARIES

Subsidiaries	Registered Office	Ownership interest 2014	Ownership interest 2013	Nature of business	Paid up
		%	%		%
Medserv International Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	25
Medserv Italy Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Eastern Mediterranean Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv East Africa Ltd	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Libya Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company	20
Medserv Operations Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Logistical support and other services	100
Sub-subsidiaries					
Medserv Misurata FZC	Qasr Ahmed Misurata Libya	**60.00**	60.00	Logistical support and other services	100
Medserv (Cyprus) Limited	Karaiskakis Street Limassol Cyprus	**80.00**	55.00	Logistical support and other services	100

14.3 On 3 September 2013, the Company acquired the remaining 45% interest in Medserv (Cyprus) Limited, increasing its ownership interest in that subsidiary to 100%, for a consideration of €100,000. The carrying amount of the non-controlling interests in Medserv (Cyprus) Limited on the date of acquisition was a negative balance of €34,333, representing 45% interest in the subsidiary's net liabilities at the date of acquisition. This resulted in the derecognition of the non-controlling interests in the subsidiary of €34,333 and a decrease in equity attributable to owners of the parent of €134,333.

On 17 December 2013, the Company disposed of a 20% interest out of the 100% interest held in Medserv (Cyprus) Limited at a consideration of €2,000. This resulted in the recognition of non-controlling interests of €18,577 (debit balance, representing 20% interest in the subsidiary's net liabilities at the date of disposal) and an increase in equity attributable to owners of the parent of €20,577.

The effect of these transactions resulted in a net decrease in equity attributable to owners of the parent of €113,756.

15 INVESTMENT IN JOINT VENTURE

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 2014.

Summary of financial information for the jointly-controlled entity as at 31 December 2014 is as follows:

	2014	2013
	€	€
Non-current assets	380	1,140
Current assets	3,071	7,775
Total assets	3,451	8,915
Current liabilities	-	9,140
Total liabilities	-	9,140
Net assets/(liabilities)	3,451	(225)
Group's share of net assets (50%)	1,726	(113)
Income	-	-
Expenses	(3,065)	(3,789)
Loss for the period	(3,065)	(3,789)
Group's share of loss	-	-

As at 31 December 2014, the Group's share of unabsorbed losses amounted to €3,428 (2013: €1,895).

16 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	€	€	€	€	€	€
THE GROUP						
Property, plant and equipment	-	15,304	(285,148)	-	(285,148)	15,304
Provision for discounted future gratuity payments	10,353	12,981	-	-	10,353	12,981
Impairment loss on receivables	-	2,880	-	-	-	2,880
Provision for exchange fluctuations	-	-	(1,787)	(170)	(1,787)	(170)
Investment tax credits	4,215,107	4,215,107	-	-	4,215,107	4,215,107
Unutilised tax losses and unabsorbed capital allowances	77,442	331,338	-	-	77,442	331,338
Tax assets / (liabilities)	4,302,902	4,577,610	(286,935)	(170)	4,015,967	4,577,440
Set off of tax	(239,931)	(170)	239,931	170	-	-
Net tax assets / (liabilities)	4,062,971	4,577,440	(47,004)	-	4,015,967	4,577,440

16.2 MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR - THE GROUP

	Balance 01.01.13	Recognised in profit or loss	Balance 31.12.13
	€	€	€
Property,plant,and equipment	38,588	(23,284)	15,304
Provision for discounted future gratuity payments	12,935	46	12,981
Impairment loss on receivables	6,297	(3,417)	2,880
Provision for exchange fluctuations	(1,107)	937	(170)
Investment tax credits	3,809,295	405,812	4,215,107
Unutilised tax losses and unabsorbed capital allowances	449,038	(117,700)	331,338
	4,315,046	262,394	4,577,440

	Balance 01.01.14	**Recognised in profit or loss**	**Balance 31.12.14**
	€	€	€
Property, plant and equipment	**15,304**	**(300,452)**	**(285,148)**
Provision for discounted future gratuity payments	**12,981**	**(2,628)**	**10,353**
Impairment loss on receivables	**2,880**	**(2,880)**	**-**
Provision for exchange fluctuations	**(170)**	**(1,617)**	**(1,787)**
Investment tax credits	**4,215,107**	**-**	**4,215,107**
Unutilised tax losses and unabsorbed capital allowances	**331,338**	**(253,896)**	**77,442**
	4,577,440	**(561,473)**	**4,015,967**

16.3 RECOGNITION OF DEFERRED TAX ASSET ON INVESTMENT TAX CREDITS

As at 31 December 2014, a deferred tax asset of €4,215,107 (2013: €4,215,107) was recognised in the financial statements to the extent of investment tax credits expected to be utilised in the future. Based on the Group's profit forecasts of the Malta operations for the period 2015 to 2020, the directors believe that the Group will have sufficient taxable profit in the future against which this deferred tax asset can be utilised.

These profit forecasts were based on realistic assumptions of business growth, including the expected volume of business arising from maintenance projects and the provision of logistic support services to the offshore oil and gas industry during the forecast period that the directors believe will be provided by the shore base at Malta Freeport. Historic values of similar projects were used to support and quantify the net result of the future projects and services. The extent of utilization of the investment tax credits was based on the assumption that the profit forecasts will be subject to the current tax rate of 35%.

16.4 UNRECOGNISED DEFERRED TAX ASSET

A deferred tax asset of €2,538,875 (2013: €1,126,967) has not been recognised in respect of investment tax credits, because it is not probable that sufficient future taxable profit will be available, until these credits expire on 31 December 2020, against which the Group can use the benefits therefrom.

17 INVENTORIES

Inventories as at 1 January 2013 consisted of raw materials and consumables used in the provision of maintenance services.

18 TRADE AND OTHER RECEIVABLES

18.1

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade receivables	**13,401,920**	1,696,000	**-**	-
Amounts due by subsidiaries	**-**	-	**5,547,176**	5,786,988
Amounts due by related company	**5,026**	-	**-**	-
Other receivables	**1,037,870**	861,179	**-**	-
Accrued income	**181,461**	-	**-**	-
Prepayments	**1,045,215**	384,454	**24,083**	27,263
Deferred expenses	**969,713**	926,613	**-**	102,056
	16,641,205	3,868,246	**5,571,259**	5,916,307

18.2 An amount due by a subsidiary of €581,618 is unsecured, interest bearing at 6.25% per annum and repayable on demand. The remaining amounts due by subsidiaries are unsecured, interest-free and repayable on demand. Transactions with related parties are set out in note 29 to these financial statements.

18.3 The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 26.

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

				The Company	
	Currency	Nominal interest rate	Year of maturity	**2014** **€**	2013 €
Unsecured borrowings	EUR	-	After 2014	**-**	2,728,870
Unsecured loan	EUR	6%	2023	**13,937,687**	6,701,375
Unsecured loan	EUR	6.25%	2017	**5,318,227**	453,913
				19,255,914	9,884,158

The unsecured borrowings were paid before their maturity.

18.5 Deferred expenses mainly include costs incurred by the Group that are related directly to securing various contracts. These costs have been deferred as they relate to contracts continuing / starting in the coming years for which future economic benefits are expected to flow to the enterprise and can be identified separately and measured reliably.

19 CAPITAL AND RESERVES

19.1 SHARE CAPITAL

	Group and Company	
	Ordinary shares	
	2014	2013
	No.	No.
In issue at 1 January	**25,000,004**	10,000,000
Increase in shares due to share split	**-**	15,000,004
In issue at 31 December - fully paid	**25,000,004**	25,000,004

During the comparative year the Company re-denominated the authorised share capital of the Company from 20,000,000 ordinary shares of a nominal value of €0.232937 per share into 20,000,000 ordinary shares of a nominal value if €0.25 per share thus increasing the authorised share capital from €4,658,740 to €5,000,000.

During the comparative year, the Company also re-dominated the issued share capital of the Company from 10,000,000 ordinary shares of a nominal value of €0.232937 per share into 10,000,000 ordinary shares of a nominal value of €0.25 per share by the capitalisation of €170,630 from the Company's retained earnings for the purpose of paying up the difference between the current nominal value and the new nominal value, thus increasing the issued share capital from €2,329,370 to €2,500,000.

Following the re-denominations set out above:

i) the nominal value of the Company's authorised share capital was re-denominated and converted from 20,000,000 ordinary shares of a nominal value of €0.25 each to 50,000,000 ordinary shares of a nominal value of €0.10 each;

ii) the nominal value of the Company's issued share capital was as a result re-denominated and converted from 10,000,000 ordinary shares of a nominal value of €0.25 each to 25,000,004 ordinary shares of a nominal value of €0.010 each.

No further changes were affected during 2014.

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.

19.2 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.

19.3 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 2014, the balance in this reserve represented the deferred tax asset recognised in respect of investment tax credits and unutilised tax losses available to the Group as at that date.

19.4 AVAILABILITY OF RESERVES FOR DISTRIBUTION

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Distributable	**2,362,960**	772,443	**1,484,010**	876,355
Non-distributable	**4,352,864**	4,606,761	**-**	-
	6,715,824	5,379,204	**1,484,010**	876,355

19.5 DIVIDENDS

The following dividends were declared and paid by the Company during the year ended 31 December:

	2014	2013
	€	€
2.4 euro cents per qualifying ordinary share	**600,000**	-

After the end of the reporting period, the following dividends were proposed by the directors. The dividends have not been provided for and there are no tax consequences.

	2014	2013
	€	€
5.6 euro cents per qualifying ordinary share (2013: 2.4 euro cents)	**1,400,000**	600,000

Dividend per qualifying ordinary share is worked out on the number of shares existing as at 31 December 2014.

20 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share of the Group and the Company is based on the profit attributable to shareholders of the Company as shown in the income statement, divided by the number of shares in issue as at 31 December 2014. During the year and the comparative period there were no dilutive potential ordinary shares.

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit / (loss) for the year attributable to shareholders	**1,936,620**	387,278	**1,207,655**	(144,721)
Number of shares in issue at 31 December 2014		**25,000,004**		
Earnings / (loss) per share	**7c7**	1c5	**4c8**	(0c6)

21 DEFERRED INCOME

During 2012, the Group was awarded an extension of property rights over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. These property rights, which comprise land and the overlying buildings and facilities, emanate from the emphyteutical grant deeds dated 29 May 1997, 23 December 1999, 22 June 2004, the lease agreement dated 5 December 2012, as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited (the subsidiary) on 5 December 2012. The award was conditional on the Group investing €9 million in improvements to the underlying property and reaching employment levels of 90 full time equivalents by the year 2045. Both conditions were fulfilled by 31 December 2014.

This deferred income is being recognised in profit or loss over the remaining period of the emphyteutical grant. The amount recognised in profit or loss during 2014 was equal to €775,533 (2013: €775,533).

22 LOANS AND BORROWINGS

22.1 This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 26.

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Non-current liabilities				
Secured bank loans	**119,231**	-	**-**	-
Unsecured loan	**1,329,257**	-	**-**	-
Secured notes	**19,689,330**	12,552,853	**19,689,330**	12,552,853
	21,137,818	12,552,853	**19,689,330**	12,552,853
Current liabilities				
Secured bank loans	**1,077,197**	-	**-**	-
Bank overdraft	**3,803,302**	-	**1,257,632**	-
	4,880,499	-	**1,257,632**	-

22.2 TERMS AND DEBT REPAYMENT

At the end of the year, the Group had bank loans amounting to €1,196,428. The interest rate and terms of repayment were as follows:

Bank loan	Interest rate	Repayable by
€183,062	5.35%	Monthly instalments of €6,033 inclusive of interest, repayable up to 14 July 2017.
€450,366	5.35%	Monthly instalments of €50,303 inclusive of interest, repayable up to December 2018.
€563,000	4.65%	To be fully settled in one lump sum by end of February 2015.

The loans amounting to €183,062 and €450,366, were secured by a guarantee for €2,700,000 to secure all liabilities of Medserv Operations Limited (a subsidiary – see Note 14.2) given by the Company; first Pledge given by Medserv Operations Limited over Combined Business Policy for €1,083,159, letter of undertaking given by the shareholders that Mr Anthony J Duncan and Mr Anthony S Diacono will directly or indirectly retain control and hold more than 51% of the issued capital; letter of undertaking by the Company whereby it undertakes to maintain the present level of its control and interest in Medserv Operations Limited through its shareholding throughout the duration of the facilities; letter of undertaking by the Company whereby it undertakes not to declare dividends or pay shareholders' loans without the bank's written consent and to maintain the present level of control and interest in Medserv Operations Limited; and second general hypothec for €2,166,000 over all assets present and future to be given by Medserv Operations Limited.

The loan amounting to €563,000 was secured by a joint and several guarantee on bank's standard form Leg 01 dated 20 December 2011 for €669,574, given by the Company; a joint and several guarantee on bank's standard form Leg 01 for €564,000; letter of comfort by the Company stating that it will meet the terms and conditions of sanction letter dated 12 December 2011 and that it undertakes to maintain the present level of its control over, and interest, in Medserv Operations Limited through its shareholding throughout the duration of the facility; and that it will ensure that Medserv Operations Limited will meet all loan commitments, and will make good for any shortfall on an instalment by instalment basis.

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

2014	€	€
Opening balance at 1 January 2014		12,552,853
Proceeds from issue of notes		7,105,000
Transaction costs	190,693	
Add amount allocated from tranche 1	102,056	(292,749)
		19,365,104
Amortisation of transaction costs during the year		324,226
		19,689,330

2013	€	€
Proceeds from issue on notes		13,000,000
Transactions costs	556,508	
Less amount deferred in respect of future tranche	(102,056)	(454,452)
		12,545,548
Amortisation of transaction costs during the year		7,305
		12,552,853

These notes are secured by Medserv Operations Limited (a subsidiary – see Note 14.2) through a general hypothec and a special hypothec over its emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk (refer to Note 13.5).

22.4 The unsecured loan is due to the non-controlling interest. The loan bears interest at 6.25% and is repayable by March 2017.

Furthermore as at 31 December 2014, the Group enjoyed general overdraft facilities of €4,300,000 at the following terms and conditions:

Bank overdraft	Interest rate	Repayable by
€1,300,000	5.35%	Guarantee for €1,300,000 to serve all liabilities of the Company given by Medserv Operations Limited and letter of undertaking given by Mr Anthony J Duncan and Mr Anthony S Diacono that they will directly or indirectly retain control and hold more than 51% of the issued share capital of the Company
€500,000	5.15%	Joint and several guarantees by the Company
€2,500,000	5.35%	Secured by guarantee for €2,170,000 to secure all liabilities of Medserv Operations Limited given by the Company.

At 31 December 2014, the Group had unutilised bank overdraft facilities of €496,698 (2013: €500,000) while the Company had an unutilised bank overdraft facilities of €42,368 (2013: €Nil).

23 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.

24 TRADE AND OTHER PAYABLES

24.1

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade payables	**7,989,116**	751,267	**93,258**	5,900
Amounts due to shareholders	**32,637**	31,976	**32,637**	27,729
Amounts due to note holders	**-**	-	**476**	-
Amounts due to non-controlling interest	**405,485**	205,587	**-**	-
Accrued expenses	**255,756**	648,780	**26,401**	182,473
Other payables	**769,087**	74,814	**87,042**	-
	9,452,081	1,712,424	**239,814**	216,102

24.2 The amounts due to shareholders are all unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 29 to these financial statements.

24.3 The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

25 CASH AND CASH EQUIVALENTS

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**€**	€	**€**	€
Bank balances		**1,051,009**	5,667,574	**-**	1,232
Cash in hand		**64,684**	15,414	**-**	-
Cash and cash equivalents		**1,115,693**	5,682,988	**-**	1,232
Bank overdraft used for cash management purposes	22	**(3,803,302)**	-	**(1,257,632)**	-
Cash pledged as guarantees		**-**	(38,500)	**-**	-
		(2,687,609)	5,644,488	**(1,257,632)**	1,232

The Group's and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

26 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

26.1 ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

ACCOUNTING CLASSIFICATIONS

The Group classifies non-derivative financial assets and non-derivative financial liabilities into the categories of 'loans and receivables' and 'other financial liabilities', respectively. At reporting date, the Group's loans and receivables comprised cash and cash equivalents and trade and other receivables. On the same date, the Company's loans and receivables comprised cash and cash equivalents and trade and other receivables. The Group's non-derivative financial liabilities comprised secured notes, loans and borrowings, a bank overdraft and trade and other payables. The Company's non-derivative financial liabilities comprised secured notes and trade and other payables.

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 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	14,626,277	14,626,277	2,557,179	2,557,179
Cash at bank and in hand	1,115,693	1,115,693	5,682,988	5,682,988
Secured bank loans	(1,196,428)	(1,196,428)	-	-
Trade and other payables	(9,594,033)	(9,594,033)	(1,712,424)	(1,712,424)
Bank overdraft	(3,803,302)	(3,803,302)	-	-
Secured notes	(19,689,330)	(21,207,500)	(12,552,853)	(13,676,000)
Unsecured loan	(1,329,257)	(1,329,257)	-	-
	(19,870,380)	(21,388,550)	(6,025,110)	(7,148,257)

THE COMPANY	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from subsidiaries	19,255,914	19,255,914	9,884,158	9,884,158
Trade and other receivables	5,547,176	5,547,176	5,786,988	5,786,988
Cash at bank and in hand	-	-	1,232	1,232
Trade and other payables	(239,814)	(239,814)	(216,102)	(216,102)
Bank overdraft	(1,257,632)	(1,257,632)	-	-
Secured notes	(19,689,330)	(21,207,500)	(12,552,853)	(13,676,000)
	3,616,314	2,098,144	2,903,423	1,780,276

The base for determining fair values is disclosed below.

Except for the secured notes, the carrying amount of all financial instruments not measured at fair value approximates their fair value. The fair value of financial instruments not measured at fair value was determined as follows:

LOANS AND RECEIVABLES

This category of assets is reported net of impairment allowances to reflect the estimated recoverable amounts. As at 31 December 2013, a bank balance amounting to €4,000,000 included in cash and cash equivalents was repriceable within 3 months. In addition, other cash and cash equivalents and trade and receivables are all short-term in nature. The carrying amounts of these financial assets therefore approximate their fair values.

SECURED NOTES ISSUED

This category of liabilities is carried at amortised cost. Its fair value has been determined by reference to the market price as at 31 December 2014 and classified as Level 2 in view of the infrequent activity in the market.

OTHER FINANCIAL LIABILITIES

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

26.2 FINANCIAL RISK MANAGEMENT

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.

26.3 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. The Board of Directors set up a Financial Risk Management Committee to assist in the management of 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.

26.4 CREDIT RISK

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

EXPOSURE TO CREDIT RISK

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

	Carrying amount			
	The Group		The Company	
	2014	2013	**2014**	2013
Trade and other receivables	**14,626,277**	2,557,179	**24,803,090**	15,671,146
Cash at bank	**1,051,009**	5,667,574	**-**	1,232
	15,677,286	8,224,753	**24,803,090**	15,672,378

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 sufficient funds 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 29 percent (2013: 37 percent) of the Group's revenue is attributable to sales transactions with a single customer.

The maximum exposure to credit risk for trade receivables (see note 18.1) at the reporting date by geographic region was:

	The Group		The Company	
	2014	2013	**2014**	2013
Carrying amount				
Domestic	**737,795**	416,032	**-**	-
EU countries	**8,219,836**	269,339	**-**	-
Libya	**4,401,399**	998,926	**-**	-
Other	**42,890**	11,703	**-**	-
	13,401,920	1,696,000	**-**	-

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

THE GROUP	**Gross**	**Impairment**	Gross	Impairment
	2014	**2014**	2013	2013
Not past due	**12,378,159**	**-**	1,107,740	-
Past due 0-30 days	**328,302**	**-**	185,134	-
Past due 31-120 days	**222,064**	**-**	233,572	-
More than 120 days	**473,395**	**-**	177,784	8,230
	13,401,920	**-**	1,704,230	8,230

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

	2014	2013
Balance at 1 January	**8,230**	17,993
Movement	**(8,230)**	(9,763)
Balance at 31 December	**-**	8,230

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.

26.5 LIQUIDITY RISK

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

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

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 2014, the Group had an unutilised overdraft facility amounting to €496,698, which bears interest at the Bank's Base Rate plus 3 per cent respectively.

In the meantime, the Group is discussing fresh facilities with its bankers for the continued development of its operations.

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

THE GROUP	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5-10 years
31 December 2014	€	€	€	€	€	€	€
Financial liabilities							
Secured notes	**19,689,330**	**(30,800,000)**	**(599,425)**	**(600,575)**	**(1,620,000)**	**(3,600,000)**	**(24,380,000)**
Secured bank loans	**1,196,428**	**(1,223,899)**	**(897,198)**	**(195,019)**	**(131,689)**	**-**	**-**
Unsecured loan	**1,329,257**	**(1,571,965)**	**(40,291)**	**(40,959)**	**(162,500)**	**(243,750)**	**(1,084,465)**
Trade and other payables	**9,594,033**	**(9,594,033)**	**(9,594,033)**	**-**	**-**	**-**	**-**
Bank overdraft	**3,803,302**	**(3,938,304)**	**(3,938,304)**	**-**	**-**	**-**	**-**
	35,612,350	**(47,128,201)**	**(15,069,251)**	**(836,553)**	**(1,914,189)**	**(3,843,750)**	**(25,464,465)**
31 December 2013							
Financial liabilities							
Secured notes	12,552,853	(20,800,000)	(390,000)	(390,000)	(780,000)	(2,340,000)	(16,900,000)
Trade and other payables	1,712,424	(1,712,424)	(1,712,424)	-	-	-	-
	14,265,277	(22,512,424)	(2,102,424)	(390,000)	(780,000)	(2,340,000)	(16,900,000)

THE COMPANY	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5-10 years
31 December 2014	€	€	€	€	€	€	€
Financial liabilities							
Secured notes	**19,689,330**	**(30,800,000)**	**(599,425)**	**(600,575)**	**(1,620,000)**	**(3,600,000)**	**(24,380,000)**
Trade and other payables	**239,814**	**(239,814)**	**(239,814)**	**-**	**-**	**-**	**-**
Bank overdraft	**1,257,632**	**(1,324,915)**	**(1,324,915)**	**-**	**-**	**-**	**-**
	21,186,776	**(32,364,729)**	**(2,164,154)**	**(600,575)**	**(1,620,000)**	**(3,600,000)**	**(24,380,000)**
31 December 2013							
Financial liabilities							
Secured notes	12,552,853	(20,800,000)	(390,000)	(390,000)	(780,000)	(2,340,000)	(16,900,000)
Trade and other payables	216,102	(216,102)	(216,102)	-	-	-	-
	12,768,955	(21,016,102)	(606,012)	(390,000)	(780,000)	(2,340,000)	(16,900,000)

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

26.6 MARKET RISK

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

CURRENCY RISK

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

EXPOSURE TO CURRENCY RISK

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

	31 December 2014			31 December 2013		
	USD	**GBP**	**LYD**	USD	GBP	LYD
Trade receivables	**-**	**-**	**-**	12,530	-	4,740
Trade payables	**(69,366)**	**(36,970)**	**-**	(6,459)	(5,296)	(23,389)
Net statement of financial position exposure	**(69,366)**	**(36,970)**	**-**	6,071	(5,296)	(18,649)
Available funds in foreign currency	**67,420**	**-**	**199,270**	122,613	-	314,114
Net exposure	**(1,946)**	**(36,970)**	**199,270**	128,684	(5,296)	295,465

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2014	2013	**2014**	2013
USD	**1.329**	1.328	**1.217**	1.377
GBP	**0.806**	0.849	**0.783**	0.835
LYD	**1.619**	1.677	**1.551**	1.678

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 and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	The Group	The Company
	Profit or loss	
31 December 2014	**€**	**€**
USD	**4,955**	**-**
GBP	**4,207**	**-**

	The Group	The Company
	Profit or loss	
31 December 2013	€	€
USD	(8,499)	-
GBP	577	-
LYD	(1,776)	-

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.

26.7 INTEREST RATE RISK

PROFILE

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

	Carrying amount			
	The Group		The Company	
	2014	2013	**2014**	2013
Variable rate instruments				
Financial liabilities	**(6,328,987)**	-	**(1,257,632)**	-
Fixed rate instruments				
Financial assets	**905,374**	5,485,281	**19,837,532**	7,174,655
Financial liabilities	**(19,689,330)**	(12,552,853)	**(19,689,330)**	(12,552,853)

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

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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss (and equity) by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

A change of 100 basis points in interest rates on fixed rate instruments would have increased or decreased the Group's equity by €168,233 (2013: €19,590) and the Company's equity by €24,327 (2013: €12,122).

A change of 100 basis point in interest rates on variable rate instruments would have increased or decreased the Group's equity by €23,121 (2013: €Nil) and by €5,240 (2013: €Nil) on the Company's equity.

26.8 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

26.9 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.

27 OPERATING LEASES

27.1 LEASES AS LESSEE

The Group leases a quay, a warehouse and ancillary facilities at Malta Freeport, Kalafrana and similar facilities at Misurata Free Zone Port, Misurata in Libya and at the Port of Larnaca, in Cyprus under three separate operating leases. The lease at Malta Freeport, Kalafrana runs for a period of forty-seven and a half years from 5 December 2012, while that in Libya runs for a period of thirty years from 1 January 2007. On the other hand, the lease in Cyprus is for a period of three years, starting 1 September 2013 and may be renewed subject to the lessor's approval.

At 31 December 2014, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	2013
	€	€
Less than one year	**1,257,966**	1,144,400
Between one and five years	**838,644**	1,602,800
	2,096,610	2,747,200

During the year, an amount of €1,298,211 was recognised as an expense in profit or loss in respect of operating leases (2013: €246,546).

27.2 PREPAID OPERATING LEASE

As at 31 December 2014, the Group recognised the following amounts since it has applied a change in accounting policy (see note 3).

		2014	2013
	Note	€	€
At 1 January	3, 4.13	**36,450,072**	37,225,605
Charge for the year		**(775,533)**	(775,533)
At 31 December		**35,674,539**	36,450,072
Non-current		**34,899,006**	35,674,539
Current		**775,533**	775,533
		35,674,539	36,450,072

27.3 INITIAL FAIR VALUE OF LEASED FACILITIES AT MALTA FREEPORT

The property rights held by the Group over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk were valued as at 31 December 2012 by an external valuer, Perit Dr Marc Bonello, Partner of the local professional firm TBA Periti, in terms of, and with due regard given to, the Valuation Standards of the Kamra Tal-Periti (Chamber of Architects & Civil Engineers of Malta) and with The Royal Institution of Chartered Surveyors 'RICS Valuation – Professional Standards (March 2012)'. TBA Periti declared that it had no undisclosed interest in the property, and its employment and compensation were not contingent upon its findings and valuation, and that no fees payable to TBA Periti were made by the Group during the preceding year. These property rights, which comprise land and the overlying buildings and facilities, emanate from the emphyteutical grant deeds dated 29th May 1997, 23rd December 1999, 22nd June 2004, the lease agreement dated 5th December 2012, as well as the operating licence issued by the Malta Freeport Corporation Limited to Medserv Operations Limited on the 5th December 2012. The valuation of the property rights was carried out on the basis of Market Value on the assumption that the property rights could be sold subject to any existing third party obligations. Based upon publicly available data and comparable recent market transactions on an arm's length basis, together with TBA Periti's analysis and experience in the local real estate market and information provided by the Group, it was the professional opinion of TBA Periti that the Market Value of the above-mentioned property rights, as at 31 December 2012, amounted to €40,273,431. Consequently, this amount less €3,047,826 included in Property, Plant and Equipment was established as the fair value of the prepaid operating lease at grant date.

28 CONTINGENCIES

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

- Guarantees given to the Group's bankers in favour of third parties amounting to €134,670 (2013: €46,659).
- A former service provider made a legal claim against a subsidiary requesting compensation for damages caused by the termination of a contractual business relationship.
- A fellow subsidiary acts as a guarantor in favour of it parent's banker up to a limit of €1,300,000 for a bank overdraft facility.
- The parent company acts as a guarantor in favour of a fellow subsidiary up to a limit of €4,870,000.

No provision has been made in these financial statements towards the above as directors believe that it is not probable that a material outflow of resources embodying economic benefits will be required to settle the obligations. At 31 December 2014, the Group cannot reasonably quantify all the damages claimed.

28.2

The Company has uncalled share capital on its investments in subsidiaries, namely Medserv International Limited, Medserv Italy Limited, Medserv Libya Limited, Medserv East Africa Ltd and Medserv Eastern Mediterranean Limited amounting to €38,781 (see note 14.2).

29 RELATED PARTIES

29.1 SIGNIFICANT SHAREHOLDERS

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

29.2 IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its directors, shareholders and immediate relatives of a director.

During the current year and up to 31 May 2014, the Group also had a related party relationship with an entity in which a director was a member of its key management personnel ("other related parties").

The Company has a related party relationship with its subsidiaries (see note 14.2), joint venture (see note 15), its directors and companies controlled by subsidiaries ("other related parties").

29.3 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 years.

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. The latter included Electro Fix Energy Ltd (the "other related company") up to 31 May 2014.

29.4 OTHER RELATED PARTY TRANSACTIONS

The following transactions were conducted during the year:

	The Company	
	2014	2013
	€	€
Subsidiaries		
Payment of expenses on behalf of Company by	**89,078**	401,972
Payment of expenses by Company on behalf of	**2,506,623**	-
Interest charged to	**1,024,365**	106,290
Dividends receivable from	**1,400,000**	-
Loans to	**11,697,620**	-
Net proceeds from bond issue received on behalf of Company by	**-**	12,775,600
Return of cash received on behalf of Company by	**5,830,603**	-
Interest received by Company from	**681,926**	-
Repayment of expenses paid by Company by	**895,070**	-

	The Group		The Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Other related parties				
Services provided by	**8,906**	6,600	**-**	-
Other related company				
Capital goods acquired from	**-**	1,947,475	**-**	-

29.5 RELATED PARTY BALANCES

Information on amounts due from or payable to related parties are set out in notes 18 and 24 to these financial statements.

INDEPENDENT AUDITORS' REPORT 2014

KPMG
Portico Building
Marina Street
Pietà PTA 9044
Malta

Telephone (+356) 2563 1000
Fax (+356) 2566 1000
E-mail kpmg@kpmg.com.mt
Internet www.kpmg.com.mt

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 26 to 69, which comprise the statements of financial position as at 31 December 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and (b) are properly prepared in accordance with the provisions of 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. They are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

In addition, we read the other information contained in the Annual Report 2014 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.

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 2014, 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.

KPMG
Portico Building
Marina Street
Pietà PTA 9044
Malta

Telephone (+356) 2563 1000
Fax (+356) 2566 1000
E-mail kpmg@kpmg.com.mt
Internet www.kpmg.com.mt

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDSERV P.L.C.

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.

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 14 to 21.

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

In our opinion, the Directors' Statement of Compliance set out on pages 14 to 21 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Kevin Mifsud
(DIRECTOR) FOR AND ON BEHALF OF

KPMG
Registered Auditors

23 March 2015

WWW.SWITCH.COM.MT

www.medservenergy.com
info@medservenergy.com