ANNUAL REPORT & FINANCIAL STATEMENTS 2009

2009

ANNUAL REPORT & FINANCIAL STATEMENTS

Company Registration Number: C 28847

Contents

Directors' and Other Statutory Reports

Chairman's Statement for year ended 31 December 2009

2009 was indeed a challenging year for all business including the usually more resilient oil and gas industry.

The negative effects of the global recession were felt by one and all and the worldwide demand for fossil fuel did indeed contract during the year. This in effect pushed the price for fossil fuel down to levels that made exploration not financially viable and in such circumstances decisions on such projects are postponed or even cancelled. All of this happened in a rather short time and just after the upward adjustments agreed by exploration companies with the respective National Oil Companies, which reflected the record high prices that prevailed just before the crisis. All of this once again pushed back exploration projects as the market settles awaiting the turnaround.

It is with this market and economic backdrop in mind that with great satisfaction we report to our owners the Group's record results. Figures speak louder than words. Do allow me to highlight the salient points of our financial performance during 2009. Group revenue increased from €15,565,257 in 2008 to €17,528,227 in 2009. It is important to highlight that we have managed to reduce the low margin business to less than 12% of turnover from €6,438,214 reported in 2008 to €2,023,104 in 2009. This had the desired effect on Gross Profit margins. We are pleased to announce a profit before tax of €3,183,104 in 2009 compared to €975,421 reported in 2008. Earnings per share increased to €0.23 as against €0.11 in 2008. Cash flow generated from operations in the year under review increased to €2,594,540 from €1,107,152 in 2008. Return on capital employed stands at 26% up from 16% in the previous year. EBIT in 2009 was that of €3,255,843 as compared to €1,064,821 in the previous year. Net profit margin (before tax) has gone up to 18% from the 6% in 2008. Last but not least the dividend payout ratio increased by 4%, bringing dividends distributed to 50% of profits attributable to equity holders of capital before tax.

The above results are more remarkable when one keeps in mind the economic environment for the year under review. The results obtained are primarily the fruit of diversification of our revenue stream. The Group was successful in attracting to our facility heavy equipment, such as rigs and barges, passing through the Mediterranean. Our subsidiary in Libya, Medserv Misurata Free Zone Company, continued to perform strongly and contributed 31% to the earnings attributable to the owners of the Company.

Efforts to break into new markets especially Egypt and Sicily are still ongoing although progress has been hampered by the international economic slowdown. We are pursuing these ventures as they fit into our strategy of diversification.

We expect the global economy to start showing signs of recovery in 2010 and the price of oil to stabilise at around USD80 per barrel in the coming months. This should encourage the major oil exploration companies to resume their activity. Having said this we must emphasise that these projects all have a long lead time and it is difficult to project when these exploration projects will come on line. We intend to maintain our drive to attract business to the Group as we did in the year under review. All of this allows me to look at the future with cautious confidence.

Finally I must take this opportunity to thank all our members of staff, our management and shareholders for their contribution in making all of this possible.

Anthony S Diacono

CHAIRMAN

8 April 2010

Director's Report for year ended 31 December 2009

The directors present their report, together with the financial statements of Medserv p.l.c. (the "Company"), for the year ended 31 December 2009.

Board of directors

Anthony S Diacono

Anthony J Duncan

Jan van Leeuwen

Joseph F X Zahra

David Roberts (APPOINTED ON 28 JULY 2009)

Principal activities

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

Review of business development and financial position

During the year, the Group achieved a profit before taxation of €3,183,104 and the Company achieved a profit before taxation amounting to €1,980,701. After accounting for taxation, the Group and the Company achieved a profit for the year amounting to €2,807,665 and €1,934,544, respectively.

As at 31 December 2009, the Group and the Company enjoyed a positive short term liquidity position of €2,096,569 and €3,924,117, respectively. Total assets of the Group and the Company exceeded total liabilities as at 31 December 2009 by €9,582,650 and €4,266,770, respectively.

A review of the business and performance of the Group during the year under review, and an indication of the developments are given in the Chairman's Statement set out on page 5 of this Annual Report.

Disclosures Pursuant to Listing Rule 9.43

Share capital structure

The Company's authorised share capital is four million six hundred fifty eight thousand and seven hundred and forty euro (€4,658,740) divided into twenty million ordinary shares of €0.232937 per share. The Company's issued share capital is two million three hundred twenty nine thousand and three hundred and seventy euro (€2,329,370) divided into ten million ordinary shares of €0.232937 per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank pari passu between themselves. 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 18 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.

Appointment and 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 of the Company. Save for the provisions of paragraph (c), an election of Directors shall take place every year.

(a) The procedure for the appointment of Directors shall be as follows:

   (i) Any Member or number of Members who in the aggregate hold not less than 50,000 shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a Director of the Company.

   (ii) In addition to the nominations that may be made by Members pursuant to the provisions of paragraph (a)(i), the Directors themselves or a committee appointed for the purpose by the directors, may make recommendations and nominations to the shareholders for the appointment of Directors at the next following Annual General Meeting.

(b) For the purpose of enabling Members to make nominations in accordance with the provisions of paragraph (a)(i), the Company shall grant a period of at least fourteen (14) days to Members 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 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. 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 Members pursuant to this paragraph.

(c) In the event that there are either less nominations than there are vacancies on the Board or if there are as many nominations made pursuant to either paragraphs (a)(i) or (a)(ii) 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 pursuant to the provisions of paragraphs (a)(i) or (a)(ii) then an election shall take place. Save for the case contemplated in paragraph (c), an election pursuant to this paragraph (d) shall be held every year.

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

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

(ii) After the date established as the closing date for nominations to be received by the Company for persons to be appointed Directors, the Directors shall draw the names of each candidate by lot and place each name in a list in the order in which they were drawn. The list shall be signed by the Chairman and the Company Secretary for verification purposes.

(iii) On the notice calling the Annual General Meeting at which an election of Directors is to take place there shall be proposed one resolution for the appointment of each candidate in the order in which the names were drawn in accordance with the provisions of paragraph (f)(ii), so that there shall be as many resolutions as there are candidates. The Directors shall further ensure that any Member may vote for each candidate by proxy.

(iv) At the general meeting at which the election of Directors is to take place the Chairman shall propose the name of each candidate as a separate resolution and the Members shall take a separate vote for each candidate. The Members shall first be asked to vote by a show of hands and if a poll is validly called, a poll shall be conducted. Each Member shall be entitled, in the event of a poll, to use all or part only of his votes on a particular candidate.

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

(vi) Members may vote in favour or against the resolution for the appointment of a Director in any election, and a resolution shall be considered carried if it receives the assent of more than fifty per cent of the members present and voting at the meeting.

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

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

(h) Any Director may be removed at any time by the Company in general meeting pursuant to the provisions of section 140 of the Companies Act (Chapter 386 of the Laws of Malta).

Further details on the appointment of Directors may be found in the memorandum and articles of association of the Company.

Amendment of the Memorandum and Articles of Association

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

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

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

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

Board member powers

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

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

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

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

Furthermore, the Company may, subject to such restrictions, limitations and conditions contained in the Companies Act, (Chapter 386 of the Laws of Malta), acquire its own shares.

Dividends

A final dividend amounting to €1,350,000 is being recommended.

Reserves

During the year, realised gains recognised by the Group, amounting to €227,995, were transferred from other reserve to retained earnings in accordance with the requirements of the Companies Act, 1995.

Approved by the Board of Directors on 8 April 2010 and signed on its behalf by:

Anthony S Diacono
DIRECTOR

Anthony J Duncan
DIRECTOR

Port of Marsaxlokk
Birzebbugia
Malta

12

Statement by the Directors on the Financial Statements

AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Pursuant to Listing Rule 9.44c, we, the undersigned declare that to the best of our knowledge, the consolidated financial statements set out on pages 20 to 59 are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principle risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 8 April 2010 by:

Anthony S Diacono
DIRECTOR

Anthony J Duncan
DIRECTOR

Director's Statement of Compliance with the Code

OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

Pursuant to Listing Rules 8.36 to 8.38[1] issued by the Listing Authority, Medserv p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the "Code of the Principles of Good Corporate Governance" (hereinafter the "Code") appended to the said Listing Rules with respect to the period under review.

Compliance with the Code

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

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company's requirements and designed to ensure the existence of adequate checks and balances within the Company. The Board of Directors (the "Board") retains a balance between the executive and non-executive roles within the Company, a structure characterised by the presence of three non-Executive Directors and two Executive Directors on the Board. The presence of the Executive Directors is designed to ensure that all the Board, including non-executive directors, has direct access at meetings of directors to the individuals having the prime responsibility for day-to-day operations of the Company and the implementation of polices that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. This is also in line with the wording of the provisions laid down in paragraph 2.3 of the Code in terms of having a mix of executive and non-executive Directors.

The Audit Committee of the Company is composed by Joseph F X Zahra (Chairman of the Committee and non-Executive Director), Johannes Jacobus van Leeuwen (non-Executive Director), Profs David Roberts (non-Executive Director)[2] and Anthony J Duncan (Executive Director). For the period under review the Audit Committee met four times. The Board confirms that, Mr Joseph F X Zahra satisfies the requirements of the Listing Rules in so far as they require that an independent director be a member of the Audit Committee and competent in auditing and/ or accounting.

[1]The reference to Listing Rules 8.36 to 8.38 is a reference to such Listing Rules prior to their amendment in 2010, which amendments do not apply to the Annual Report of the Company for the financial year ended 31 December 2009.

[2]Professor David Roberts was appointed on the Board by the co-option of the directors on the 28 July 2009.

Although acknowledging the recommendation of the Code to have other committees, namely the remuneration and nomination committee, the Board believes that their introduction in the structure of the Company is not required. By way of example, the Board determines the remuneration packages of the executive directors and senior management of the Company which the Board considers adequate. The reason for this is twofold: firstly due to current balance between non-executive and executive directors on the Board and secondly due to the contained structure within which the Company operates. This belief is founded on the premise that the justification to establish a remuneration committee is to avoid a situation where executive directors participate in the determination of their own remuneration packages – in the case of the Company, Directors do not participate in discussions setting out their own remuneration. To comply with the requirements of the Code as regards the disclosure of Directors' remuneration, the Board has opted to disclose an aggregate figure. For the financial year under review the aggregate remuneration of the directors of the Company, including fees paid to the two executive directors, amounted to €200,164.

Board of directors

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

As stated above, the Board currently comprises five Directors. Pursuant to the Annual General Meeting of the Company held on the 19 May 2009, the memorandum and articles of the Company were amended to increase the maximum number of Directors capable of sitting on the Board from four to five. The Directors are generally elected by the shareholders in general meeting subject to the provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) and to the Articles of Association of the Company catering for the co-option by the Board in the case of a vacancy on the Board. For the period under review the Board has implemented its policy to meet at least once every quarter. In fact, the Board met four times during 2009. As a matter of practice, each Board meeting to be held throughout the year is scheduled well in advance. Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. The Board also delegates specific responsibilities to the management team of the Company and the Audit Committee, which operates under its formal terms of reference. Each Director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company secretary who is also the legal counsel to the Board and the Company. Each Director attended the majority of Board meetings of the Company, whether in person or by proxy.

Directors' and senior officers' dealings

Directors and senior officers 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 8.45. The Board has not undertaken an annual evaluation of its own performance and that of its committees and of individual Directors.

Going concern

The Directors, after due consideration of the Company's profitability, financial position, capital adequacy and solvency declare, pursuant to Listing Rule 9.44e.13, that the Company is in a position to continue operating as a going concern for the foreseeable future.

Audit committee

The Audit Committee has met four times during the period under review. Its principal role is the monitoring of internal systems and controls and risk management and conflicts of interest. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to monitor and scrutinise related party transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed related party transactions. Furthermore, the Audit Committee regularly reviews the procedures put in place by the senior management of the Company to address various aspects of its business and operational risk. The committee also has the authority to summon any person to assist it in the performance of its duties.

Senior executive management

The Company's current organisational structure contemplates the role of a Chief Operating Officer, a position which is occupied by Mr Godwin Borg. Mr Borg's role is to head the executive team dealing with all Group operations and to ensure the implementation of Board policies. In addition the operations in Libya are headed by Mr Godfrey Attard, General Manager Libya. Mr Attard is responsible for the overall operations in Libya reporting directly to the Chief Operating Officer in Malta. He is responsible for overseeing not only the operations of the present Libyan subsidiary but also to further develop the Group's presence in that country. The Financial Controller of 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.

Annual general meeting

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

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

Internal control

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

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

Organisation

The Company operates through the Executive Directors, and the Chief Operating Officer with clear reporting lines and delegation of powers.

Control environment

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

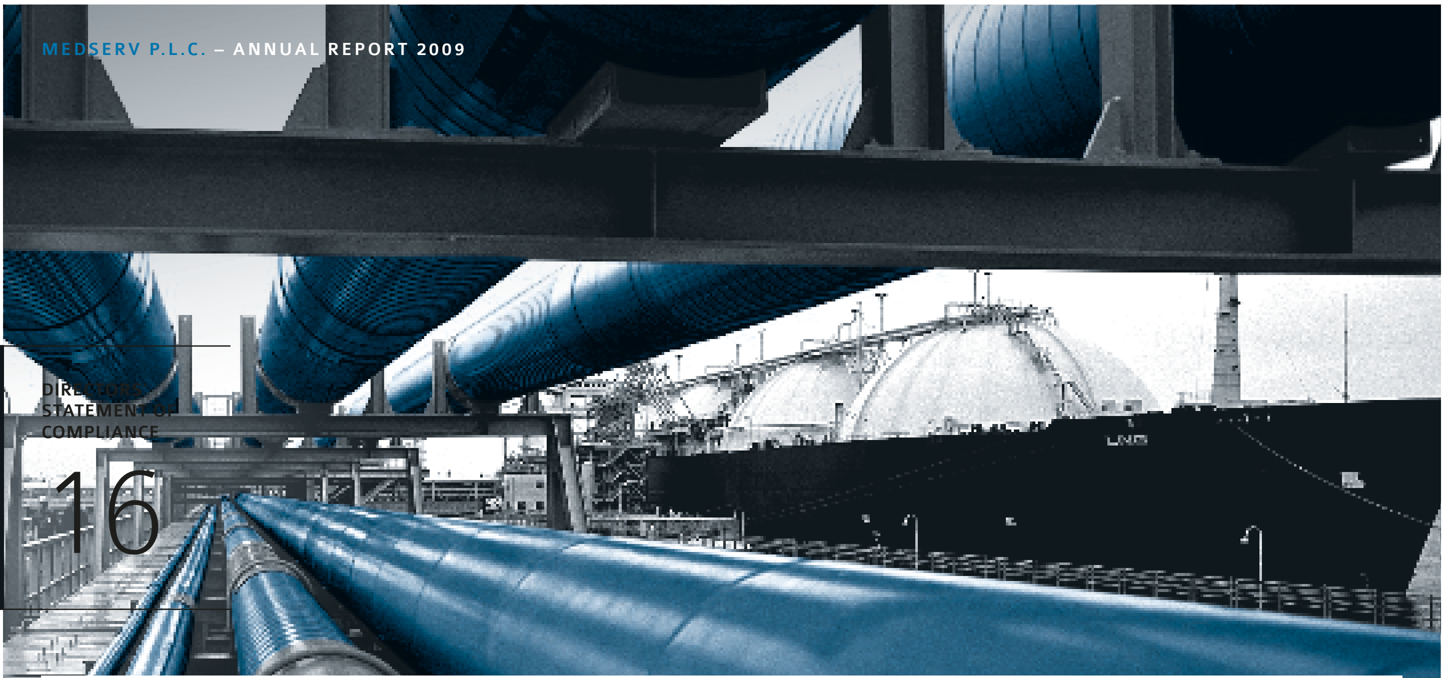
The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Risk identification

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

Information and communication

Company executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives.



Regular budgets and strategic plans are prepared. Performance against these plans is actively monitored and reported to the Board.

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

Corporate social responsibility

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

This includes the Company's commitment to support and sponsor a national Maltese trust that strives to safeguard the historic, artistic and natural heritage of the island.

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

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

Signed on behalf of the Board of Directors on 8 April 2010 by:

Anthony S Diacono
DIRECTOR

Anthony J Duncan
DIRECTOR

Shareholder Register Information

Pursuant to Listing Rule 9.44e.5 - beneficial and non-beneficial interest of directors

The following directors held beneficial/non-beneficial interests in the share capital of the Company:

Directors	Number of shares held
Anthony S Diacono	3,750,000
Anthony J Duncan (through Malampaya Investments Ltd.)	3,750,000

There were no changes in the above shareholdings as at 8 April 2010.

Pursuant to Listing Rule 9.44e.6 - shareholding

Shareholders holding 5% or more of the equity share capital as at 31 December 2009:

	As at 31 December 2009	As at 8 April 2010
Malampaya Investments Limited	37.50% (3,750,000 shares)	37.50% (3,750,000 shares)
Anthony S Diacono	37.50% (3,750,000 shares)	37.50% (3,750,000 shares)
Charts Investment Management Service Ltd (for the benefit of clients)	9.44% (943,754 shares)	9.44% (943,674 shares)
HSBC Bank Malta p.l.c. (for the benefit of clients)	6.88% (688,490 shares)	6.88% (688,490 shares)

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

Number of shareholders and shareholding details:

Range	No. of Shareholders 31 December 2009	No. of Shareholders 8 April 2010
1 - 1000	25	25
1001 - 5000	64	68
5001 and over	55	53

The total number of shareholders as at 31 December 2009 was 144 and as at 8 April 2010 was 146. All shares in issue by the Company constitute one class of shares, each share being entitled to one vote at meetings of shareholders.

Pursuant to Listing Rule 9.44e.12 - related party transactions

Reference is made to note 26 of the financial statements where relevant disclosures are made with respect to transactions entered into with related parties, within the meaning of the Listing Rules.

Pursuant to Listing Rule 9.44e.14

Dr Louis de Gabriele LL.D.

COMPANY SECRETARY

Registered Office of Company:
The Port of Marsaxlokk
Birzebbugia BBG 3011
Malta

Telephone: (+356) 2220 2000

Financial Statements 2009

Directors' Responsability for the Financial Statements

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

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

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

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

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

Signed on behalf of the Board of Directors by:

Anthony S Diacono
DIRECTOR

Anthony J Duncan
DIRECTOR

Statements of financial position

AS AT 31 DECEMBER 2009

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**€**	€	**€**	€
ASSETS					
Property, plant and equipment	13	**4,727,729**	4,102,133	**-**	-
Investments in subsidiaries	14	**-**	-	**342,653**	522,653
Deferred tax assets	15	**3,678,316**	4,017,807	**-**	-
Total non-current assets		**8,406,045**	8,119,940	**342,653**	522,653
Current tax asset		**61,459**	48,299	**51,963**	34,500
Trade and other receivables	16	**7,353,389**	6,199,135	**4,087,651**	2,208,587
Cash at bank and in hand		**1,071,296**	446,528	**12,332**	3,271
Total current assets		**8,486,144**	6,693,962	**4,151,946**	2,246,358
Total assets		**16,892,189**	14,813,902	**4,494,599**	2,769,011

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

	Note	The Group 2009 €	The Group 2008 €	The Company 2009 €	The Company 2008 €
EQUITY					
Share capital	17	**2,329,370**	2,329,370	**2,329,370**	2,329,370
Reserves	17	**3,673,693**	3,901,688	**-**	-
Retained earnings		**2,922,381**	757,064	**1,937,400**	392,856
Total equity attributable to equity holders of the Company		**8,925,444**	6,988,122	**4,266,770**	2,722,226
Non-controlling interest		**657,206**	356,863	**-**	-
Total equity		**9,582,650**	7,344,985	**4,266,770**	2,722,226
LIABILITIES					
Bank borrowings	19	**888,891**	888,891	**-**	-
Provisions	20	**31,073**	25,615	**-**	-
Total non-current liabilities		**919,964**	914,506	**-**	-
Current tax payable		**40,544**	-	**-**	-
Bank overdraft	19	**600,670**	574,631	**-**	-
Bank borrowings	19	**420,000**	509,298	**-**	-
Trade and other payables	21	**5,328,361**	5,470,482	**227,829**	46,785
Total current liabilities		**6,389,575**	6,554,411	**227,829**	46,785
Total liabilities		**7,309,539**	7,468,917	**227,829**	46,785
Total equity and liabilities		**16,892,189**	14,813,902	**4,494,599**	2,769,011

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

The financial statements on pages 20 to 59 were approved and authorised for issue by the Board of Directors on 8 April 2010 and signed on its behalf by:

Anthony S Diacono
DIRECTOR

Anthony J Duncan
DIRECTOR

Financial Statements

Statements of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2009

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**€**	€	**€**	€
CONTINUING OPERATIONS					
Revenue	7	**17,528,227**	15,565,257	**2,680,919**	1,241,567
Cost of sales		**(12,747,380)**	(12,446,909)	**(621,305)**	(333,658)
Gross profit		**4,780,847**	3,118,348	**2,059,614**	907,909
Other income	8	**111,532**	6,074	**-**	-
Administrative expenses	9	**(1,632,450)**	(1,771,349)	**(78,913)**	(105,395)
Other expenses	9	**(4,086)**	(288,252)	**-**	(206,410)
Results from operating activities		**3,255,843**	1,064,821	**1,980,701**	596,104
Finance income	11	**15,685**	43,203	**-**	-
Finance expenses	11	**(88,424)**	(132,603)	**-**	-
Net finance expense	11	**(72,739)**	(89,400)	**-**	-
Profit before income tax		**3,183,104**	975,421	**1,980,701**	596,104
Tax (expense)/income	12	**(375,439)**	324,048	**(46,157)**	(111,621)
Profit for the year		**2,807,665**	1,299,469	**1,934,544**	484,483
Profit attributable to:					
Owners of the Company		**2,327,322**	1,134,148	**1,934,544**	484,483
Non-controlling interest		**480,343**	165,321	**-**	-
Profit for the year		**2,807,665**	1,299,469	**1,934,544**	484,483
Total comprehensive income for the year		**2,807,665**	1,299,469	**1,934,544**	484,483
Earnings per share					
Basic earnings per share	18	**23c3**	11c3	**19c3**	4c8

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

Statement of changes in Equity – Group

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company						
	Share Capital	Legal reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2008	2,329,370	-	3,524,604	-	5,853,974	191,542	6,045,516
Total comprehensive income for the period							
Profit or loss	-	-	-	1,134,148	1,134,148	165,321	1,299,469
Other comprehensive income net of income tax							
Transfer from retained earnings:							
Unrealised gain recognised	-	-	317,084	(317,084)	-	-	-
Legal reserve	-	60,000	-	(60,000)	-	-	-
Balance at 31 December 2008	2,329,370	60,000	3,841,688	757,064	6,988,122	356,863	7,344,985
Balance at 1 January 2009	**2,329,370**	**60,000**	**3,841,688**	**757,064**	**6,988,122**	**356,863**	**7,344,985**
Total comprehensive income for the period							
Profit or loss	**-**	**-**	**-**	**2,327,322**	**2,327,322**	**480,343**	**2,807,665**
Other comprehensive income net of income tax							
Transfer to retained earnings	**-**	**-**	**(227,995)**	**227,995**	**-**	**-**	**-**
Contributions by and distributions to owners							
Dividends to equity holders	**-**	**-**	**-**	**(390,000)**	**(390,000)**	**(180,000)**	**(570,000)**
Balance at 31 December 2009	**2,329,370**	**60,000**	**3,613,693**	**2,922,381**	**8,925,444**	**657,206**	**9,582,650**

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

Financial Statements

Statement of changes in Equity – The Company

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Retained earnings	Total equity
	€	€	€
Balance at 1 January 2008	2,329,370	(91,627)	2,237,743
Total comprehensive income for the year			
Profit or loss	-	484,483	484,483
Balance at 31 December 2008	2,329,370	392,856	2,722,226
Balance at 1 January 2009	**2,329,370**	**392,856**	**2,722,226**
Total comprehensive income for the year			
Profit or loss	**-**	**1,934,544**	**1,934,544**
Contributions by and distributions to owners			
Dividends paid to equity holders	**-**	**(390,000)**	**(390,000)**
Balance at 31 December 2009	**2,329,370**	**1,937,400**	**4,266,770**

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

Statements of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2009

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**€**	€	**€**	€
Cash flows from operating activities					
Profit for the year		**2,807,665**	1,299,469	**1,934,544**	484,483
Adjustments for:					
Bad debts written off		**608,402**	-	**-**	-
Depreciation		**667,194**	520,990	**-**	-
Dividends receivable		**-**	-	**(2,110,676)**	(933,866)
Tax expense/(income)		**375,439**	(324,048)	**46,157**	111,621
Profit on disposal of machinery		**-**	(2,100)	**-**	-
Reversal of impairment loss on trade receivables		**(439,917)**	-	**-**	-
Provision for exchange fluctuations		**(73,185)**	(24,012)	**-**	-
Provision for gratuity payments		**5,459**	(9,955)	**-**	-
Interest payable		**88,424**	132,603	**-**	-
Interest receivable		**(986)**	(23,165)	**-**	-
Termination benefits payable		**-**	9,019	**-**	-
		4,038,495	1,578,801	**(129,975)**	(337,762)
Change in trade and receivables		**(1,594,216)**	(3,299,314)	**(262,542)**	(2,050)
Change in prepayments		**122,636**	14,402	**833**	-
Change in trade and other payables		**105,005**	2,838,145	**177,326**	(29,940)
Change in related party balances		**(1,600)**	-	**520,701**	363,671
Change in shareholders' balances		**3,718**	(2,742)	**3,718**	(2,742)
Change in directors' balances		**(30,906)**	-	**-**	-
Cash generated from/(absorbed by) operating activities		**2,643,132**	1,129,292	**310,061**	(8,823)
Interest paid		**(16,519)**	(17,547)	**-**	-
Tax paid		**(69,129)**	-	**(60,000)**	-
Tax refund		**37,056**	4,426	**37,056**	-
Termination benefits paid		**-**	(9,019)	**-**	-
Net cash from/(used in) operating activities		**2,594,540**	1,107,152	**287,117**	(8,823)
Cash flows from investing activities					
Investment in subsidiaries		**-**	-	**-**	(11,647)
Acquisition of property, plant and equipment		**(1,030,105)**	(803,411)	**-**	-
Receipt from disposal of machinery		**-**	9,908	**-**	-
Interest received		**986**	4,224	**-**	-
Payment of expenses on behalf of directors		**-**	(177,230)	**-**	-
Advances to directors		**(11,000)**	(11,079)	**-**	-
Repayment of payments on behalf of directors		**-**	258,986	**-**	-
Advances from subsidiary		**-**	-	**149,000**	20,452
Repayment of advances from subsidiary		**-**	-	**(37,056)**	-
Net cash used in investing activities		**(1,040,119)**	(718,602)	**111,944**	8,805
balance carried forward		**1,554,421**	388,550	**399,061**	(18)

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

Financial Statements

STATEMENTS OF CASH FLOWS

	Note	The Group		The Company	
		2009	2008	**2009**	2008
		€	€	**€**	€
balance brought forward		**1,554,421**	388,550	**399,061**	(18)
Cash flows from financing activities					
Loan advanced by bank		**420,000**	-	**-**	-
Loan advanced by shareholder		**-**	420,000	**-**	-
Repayments of bank loans		**(509,298)**	(556,787)	**-**	-
Repayment of loan advanced by shareholder		**(420,000)**	-	**-**	-
Interest paid on bank loan		**(46,158)**	(113,852)	**-**	-
Interest paid on loan advanced by shareholder		**(24,935)**	-	**-**	-
Dividends paid		**(390,000)**	-	**(390,000)**	-
Net cash (used in)/from financing activities		**(970,391)**	(250,639)	**(390,000)**	-
Net increase/(decrease) in cash and cash equivalents		**584,030**	137,911	**9,061**	(18)
Cash and cash equivalents at 1 January		**(193,326)**	(363,496)	**3,271**	3,289
Effect of exchange rate fluctuations on cash held		**14,699**	32,259	**-**	-
Cash pledged as guarantee		**(142,562)**	-	**-**	-
Cash and cash equivalents at 31 December	22	**262,841**	(193,326)	**12,332**	3,271

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

1 Reporting entity

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements (the "financial statements") have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU ("the applicable framework"). All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These financial statements have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), to the extent that such provisions do not conflict with the applicable framework.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 15.3 – Recognition of deferred tax asset on investment tax credits.

2.5 Changes in accounting policies

2.5.1 Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for borrowing costs
- Determination and presentation of operating segments

2.5.2 Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously, the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23, Borrowing Costs (2007), in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

The Group has not capitalised any borrowing costs with respect to property, plant and equipment during the year.

2.5.3 Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously, operating segments were determined and presented in accordance with IAS

14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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. An operating segment's operating results are reviewed regularly by the Board 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 include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax assets and liabilities and certain accrued expenses.

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

2.6 Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

3 Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are the same policies adopted by the Group.

3.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financial instruments

3.3.1 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated.

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

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

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

Loans and receivables

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

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

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

3.3.2 Non-derivative financial liabilities

Financial liabilities (excluding debt securities and subordinated 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 or cancelled or expire.

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

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

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

3.3.3 Share capital

Share capital consists of ordinary shares are classified as equity.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

3.4.2 Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased land is not depreciated.

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

• buildings and improvements	10 - 48 years
• furniture and fittings	10 years
• health and safety equipment	5 years
• office and computer equipment	5 years
• other plant and equipment	4 years
• motor vehicles	4 years

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

3.5 Leased assets

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

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

3.6 Impairment

3.6.1 Financial assets (including receivables)

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 and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit 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 groups of assets (the "cash-generating unit, 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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

3.7 Investments in subsidiaries

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

3.8 Employee benefits

3.8.1 Defined contribution plans

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

3.8.2 Other long-term employee benefits

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

3.9 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

3.10 Revenue

3.10.1 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.

3.10.2 Goods sold

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

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

3.10.3 Dividends

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

3.11 Lease payments

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

3.12 Other income

Other income comprises unrealised gains on foreign exchange fluctuations. Foreign currency gains and losses are reported on a net basis.

3.13 Finance income and expenses

Finance costs comprise interest expense on borrowings and losses from non-operating foreign exchange fluctuations. 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 and gains from non-operating exchange fluctuations. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.14 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 it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3.15 Earnings per share

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

3.16 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.

3.17 Unrealised profits

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

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company.

4 Determination of fair values

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

4.1 Trade and other receivables

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

4.2 Financial liabilities

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

5 Financial risk management

5.1 Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

5.2 Risk management framework

The directors have 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 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.

5.3 Credit risk

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

Trade and other receivables

The Group'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 12 percent (2008: 29 percent) of the Group's revenue is attributable to sales transactions with a single customer.

The Group offers logistical services to large customers operating within the oil and gas industry. These customers operate huge budgets and should therefore have 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.

5.4 Liquidity risk

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

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 2009, the Group had a secured overdraft facility of €1,500,000, which bears interest at the Bank's Base Rate plus 3 percent.

5.5 Market risk

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

5.5.1 Currency risk

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

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

5.5.2 Interest rate risk

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

5.6 Operational risk

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

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

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

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

5.7 Capital management

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

The directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

The Group is not subject to externally imposed capital requirements.

Financial Statements

6 Operating segments

6.1

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

Malta operation

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

Libya operation

Includes the provision of comprehensive logistical support services for the onshore and offshore petro-chemical industry from a base in Misurata, The Great Libyan Arab Jamahiriya.

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

6.2 Information about reportable segments

	Malta operation		Libya operation		Total	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
External revenues	**11,337,414**	10,974,136	**6,190,813**	4,591,121	**17,528,227**	15,565,257
Inter-segment revenue	**833,782**	307,701	**-**	-	**833,782**	307,701
Finance income	**577**	38,979	**409**	4,224	**986**	43,203
Finance expenses	**(128,106)**	(132,603)	**-**	-	**(128,106)**	(132,603)
Depreciation	**(295,543)**	(248,592)	**(371,651)**	(272,398)	**(667,194)**	(520,990)
Reportable segment profit before income tax	**2,145,976**	538,609	**1,037,128**	436,812	**3,183,104**	975,421
Reportable segment assets	**12,408,076**	11,220,526	**4,430,814**	4,006,831	**16,838,890**	15,227,357
Capital expenditure	**860,559**	216,884	**432,231**	999,228	**1,292,790**	1,216,112
Reportable segment liabilities	**5,166,142**	5,095,614	**1,947,554**	2,806,970	**7,113,696**	7,902,584

6.3 Reconciliation of reportable segment assets and liabilities

	2009	2008
	€	€
Assets		
Total assets for reportable segments	16,838,890	15,227,357
Unallocated assets	92,689	67,001
Inter-segment eliminations	(39,390)	(480,456)
Consolidated total assets	16,892,189	14,813,902
Liabilities		
Total liabilities for reportable segments	7,113,696	7,902,584
Unallocated liabilities	235,229	46,785
Inter-segment eliminations	(39,386)	(480,452)
Consolidated total liabilities	7,309,539	7,468,917

6.4 Geographical segments

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

Geographical information

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

Geographical information

	Revenues	Non-current assets
	€	€
31 December 2008		
Libya	6,045,658	1,124,062
Italy	1,589,649	-
Cyprus	408,000	-
Switzerland	513,131	-
UK	2,005,464	-
Singapore	440,000	-
Malta	1,017,094	2,978,071
USA	2,503,059	-
Portugal	843,000	-
Other countries	200,202	-
	15,565,257	4,102,133

7 Revenue

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

Category of activity

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Logistical support and other services	**17,528,227**	15,565,257	**-**	-
Management fee	**-**	-	**570,243**	307,701
Dividends receivable from subsidiaries	**-**	-	**2,110,676**	933,866
	17,528,227	15,565,257	**2,680,919**	1,241,567

8 Other income

	The Group	
	2009	2008
	€	€
Unrealised operating exchange gains	**62,572**	3,974
Realised operating exchange gains	**48,960**	-
Profit on disposal of machinery	**-**	2,100
	111,532	6,074

9 Administrative and other expenses

9.1 Administrative expenses are stated after charging professional fees charged by the auditors during 2009 for:

	The Group
	€
Auditors' remuneration	57,500
Tax advisory services	10,200
Other non-audit services	18,550
	86,250

9.2 Other expenses

	The Group		The Company	
	2009	2008	2009	2008
	€	€	€	€
Realised operating exchange losses	-	81,842	-	-
Unrealised operating exchange losses	4,086	-	-	-
Other expenses	-	206,410	-	206,410
	4,086	288,252	-	206,410

Other expenses in the prior year represent a non-recurring expense relating to charges incurred in the negotiations with third parties that had shown interest in acquiring certain rights with respect to certain fixed assets of the Company.

10 Personnel expenses

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

	The Group	
	2009	2008
	€	€
Directors' emoluments:		
Remuneration	117,000	94,564
Fees	83,164	73,423
	200,164	167,987
Wages and salaries	1,263,416	911,753
Social security contributions	76,085	65,637
	1,539,665	1,145,377

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

	The Group	
	2009	2008
	No.	No.
Operating	45	44
Management and administration	12	9
	57	53

11 Finance income and costs

	The Group	
	2009	2008
	€	€
Non-operating exchange differences	**14,699**	20,038
Interest income	**986**	23,165
Finance income	**15,685**	43,203
Interest payable on bank loan	**51,362**	100,247
Other bank interest payable	**20,457**	12,946
Interest payable on loan by related party	**16,605**	19,410
Finance expenses	**88,424**	132,603
Net finance expense	**(72,739)**	(89,400)

12 Income tax

12.1 Recognised in the income statement

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current tax				
Current year	**(34,222)**	(4,918)	**(67,304)**	(105,274)
Prior year	**(1,726)**	10,686	**21,147**	15,908
	(35,948)	5,768	**(46,157)**	(89,366)
Deferred tax				
Origination and reversal of temporary differences	**(339,491)**	318,280	**-**	(22,255)
	(375,439)	324,048	**(46,157)**	(111,621)

12.2

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

	The Group		The Company	
	2009	2008	**2009**	2008
Profit before tax	**3,183,104**	975,421	**1,980,701**	596,104
Income tax using the domestic income tax rate	**(1,114,086)**	(341,397)	**(693,245)**	(208,636)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(4,036)**	(577)	**-**	-
Business Promotion Act investment tax credit	**395,874**	299,448	**-**	-
Disallowed expenses	**(32,533)**	(102,132)	**(21,495)**	(102,132)
Exempt dividends receivable	**-**	-	**603,561**	205,494
Difference in tax rates applicable to Group entities	**418,668**	500,017	**-**	-
Difference in future tax rates	**-**	86,147	**-**	-
Adjustment to prior years' deferred tax asset	**13,025**	(22,956)	**-**	(22,255)
Adjustment to prior year's current tax	**(1,726)**	10,686	**21,147**	15,908
Consolidation adjustments	**(50,625)**	(105,188)	**-**	-
FRFTC on dividends	**-**	-	**43,875**	-
	375,439	324,048	**(46,157)**	(111,621)

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

12.3 Income tax of operations in Libya

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

12.4

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

12.5 Income tax of operations in Malta

The Group is eligible to the incentives provided by regulation 31 of the Business Promotion Regulations, 2001 ("BPRs").

13 Property, plant and equipment - The Group

13.1

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles
	€	€	€	€	€	€	€	€	€
Cost									
Balance at 01.01.08	4,810,505	3,171,486	44,911	908,286	294,505	13,196	67,883	162,786	147,452
Acquisitions	1,216,112	-	28,711	818,836	269,994	-	37,856	20,659	40,056
Disposals	(24,161)	-	-	-	-	-	-	-	(24,161)
Balance at 31.12.08	6,002,456	3,171,486	73,622	1,727,122	564,499	13,196	105,739	183,445	163,347
Balance at 01.01.09	6,002,456	3,171,486	73,622	1,727,122	564,499	13,196	105,739	183,445	163,347
Acquisitions	1,292,790	504,546	20,593	660,315	28,687	-	36,117	8,520	34,012
Balance at 31.12.09	7,295,246	3,676,032	94,215	2,387,437	593,186	13,196	141,856	191,965	197,359
Depreciation									
Balance at 01.01.08	1,393,706	395,816	4,491	664,615	58,441	2,639	44,811	127,736	95,157
Charge for the year	520,990	75,120	7,362	323,478	53,765	2,640	13,339	13,303	31,983
Disposals	(14,373)	-	-	-	-	-	-	-	(14,373)
Balance at 31.12.08	1,900,323	470,936	11,853	988,093	112,206	5,279	58,150	141,039	112,767
Balance at 01.01.09	1,900,323	470,936	11,853	988,093	112,206	5,279	58,150	141,039	112,767
Charge for the year	667,194	89,030	9,420	438,833	56,634	2,639	20,562	15,007	35,069
Balance at 31.12.09	2,567,517	559,966	21,273	1,426,926	168,840	7,918	78,712	156,046	147,836

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles
	€	€	€	€	€	€	€	€	€
Carrying amounts									
At 1 January 2008	3,416,799	2,775,670	40,420	243,671	236,064	10,557	23,072	35,050	52,295
At 31 December 2008	4,102,133	2,700,550	61,769	739,029	452,293	7,917	47,589	42,406	50,580
At 1 January 2009	**4,102,133**	**2,700,550**	**61,769**	**739,029**	**452,293**	**7,917**	**47,589**	**42,406**	**50,580**
At 31 December 2009	**4,727,729**	**3,116,066**	**72,942**	**960,511**	**424,346**	**5,278**	**63,144**	**35,919**	**49,523**

13.2

At 31 December 2009, the Group still used fully depreciated plant and equipment that had a gross carrying amount of €273,583 (2008: €39,043).

13.3

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

13.4

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2008: €Nil).

13.5 Security

At 31 December 2009, the Group's plant and equipment were subject to hypothecs on bank loans and general overdraft facilities amounting to €3,829,373. Furthermore, the Group's plant and equipment were subject to a hypothec to secure a bank loan of LYD1,000,000. The Group has provided other guarantees in favour of its bankers besides its hypothec on plant and equipment.

14 Investments in subsidiaries

14.1

	Capital subscribed
	€
At 1 January 2008	511,006
Acquisition	11,647
At 31 December 2008	522,653
At 1 January 2009	522,653
Disposal	(180,000)
At 31 December 2009	**342,653**

14.2

Subsidiaries	Country	Ownership interest 2009	2008	Nature of business
		%	%	
Medserv International P.L.C.	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Holding company
Medserv Operations Limited	Port of Marsaxlokk Birzebbugia Malta	**99.99**	99.99	Logistical support and other services
Medserv Misurata FZC	Qasar Ahmed Misurata, Libya	-	60	Logistical support and other services

During the year the Company transferred its sixty per cent (60%) shareholding in Medserv Misurata FZC to Medserv International p.l.c., thereby rendering Medserv Misurata FZC a direct subsidiary of Medserv International p.l.c.

15 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2009	2008	**2009**	2008	**2009**	2008
	€	€	**€**	€	**€**	€
The Group						
Property, plant and equipment	**34,362**	28,562	**-**	-	**34,362**	28,562
Provision for future gratuity payments	**10,876**	8,965	**-**	-	**10,876**	8,965
Impairment loss on receivables	**15,842**	169,835	**-**	-	**15,842**	169,835
Provision for exchange fluctuations	**3,543**	-	**-**	(10,935)	**3,543**	(10,935)
Investment tax credit	**3,613,693**	3,821,380	**-**	-	**3,613,693**	3,821,380
Tax liabilities/(assets)	**3,678,316**	4,028,742	**-**	(10,935)	**3,678,316**	4,017,807
Set off of tax	**-**	(10,935)	**-**	10,935	**-**	-
Net tax assets	**3,678,316**	4,017,807	**-**	-	**3,678,316**	4,017,807

15.2 Movement in temporary differences during the year - The Group

	Balance 01.01.08	Recognised in profit or loss	Balance 31.12.08
	€	€	€
Property, plant and equipment	17,256	11,306	28,562
Provision for discounted future gratuity payments	12,448	(3,483)	8,965
Impairment loss on receivables	79,998	89,837	169,835
Provision for exchange differences	(128)	(10,807)	(10,935)
Investment tax credit	3,551,288	270,092	3,821,380
Unused tax loss and unabsorbed capital allowances	38,665	(38,665)	-
	3,699,527	318,280	4,017,807

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

15.3 Recognition of deferred tax asset on investment tax credits

A deferred tax asset of €3,613,693 representing the full tax value of investment tax credits has been recognised in the financial statements. Based on the Group's profit forecasts for the Malta operations, the directors believe that the Group will have sufficient taxable profit in the future against which this deferred tax asset can be utilised.

16 Trade and other receivables

16.1

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade receivables	**6,816,305**	5,751,077	**-**	-
Amounts due by subsidiaries	**-**	-	**3,500,658**	1,883,303
Other receivables	**391,433**	179,769	**-**	-
Prepayments and accrued income	**145,651**	268,289	**586,993**	325,284
	7,353,389	6,199,135	**4,087,651**	2,208,587

16.2

Trade and other receivables are shown net of impairment losses amounting to €163,798 (2008: €603,715).

16.3

The balances due by the subsidiaries are unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 26 to these financial statements.

16.4

The Company's prepayments and accrued income include an amount of €570,243 (2008: €307,701) which relates to the management fee charged to a subsidiary.

16.5

The Group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 23.

17 Capital and reserves

17.1 Share capital

	Group and Company	
	Ordinary shares	
	2009	2008
	No.	No.
On issue at 31 December - fully paid	**10,000,000**	10,000,000

At 31 December 2009, the authorised share capital comprised 20,000,000 ordinary shares (2008: 20,000,000). All shares have a par value of €0.232937. The issued share capital is fully paid up.

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

17.2 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.

17.3 Other reserve

The other 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 2009, the balance in this reserve represented the deferred tax asset recognised in respect of investment tax credits available to the Group as at that date.

17.4 Availability of reserves for distribution

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Distributable	**2,922,381**	757,064	**1,937,400**	392,856
Non-distributable	**3,673,693**	3,901,688	**-**	-
	6,596,074	4,658,752	**1,937,400**	392,856

17.5 Dividends

The following dividends were declared and paid by the Company:

	2009	2008
	€	€
3.9 euro cents per qualifying ordinary share	**390,000**	-

After the respective reporting dates, the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2009	2008
	€	€
13.5 euro cents per qualifying ordinary share (2008: 3.9 euro cents)	**1,350,000**	390,000

18 Earnings per share

The calculation of earnings per share of the Group and the Company is based on the profit attributable to shareholders of the Company as shown in the income statement, divided by the number of shares in issue as at 31 December 2009.

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Profit for the year attributable to shareholders	**2,327,322**	1,134,148	**1,934,544**	484,483
Weighted average number of shares in issue		10,000,000		
Earnings per share	**23c3**	11c3	**19c3**	4c8

19 Loans and borrowings

19.1

	The Group	
	2009	2008
	€	€
Non-current liabilities		
Secured bank loans	**888,891**	888,891
Current liabilities		
Current portion of secured bank loans	**420,000**	509,298
Bank overdraft	**600,670**	574,631
	1,020,670	1,083,929

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest and liquidity risk, see note 23.

19.2 Terms and debt repayment schedule

The Group has utilised two bank loans, one amounting to €420,000 and another amounting to €888,891. The interest rate and terms of repayment of bank loans were as follows:

Bank loan	Interest rate	Repayable by
€420,000	5.5%	Monthly instalments of €36,615 inclusive of interest, repayable up to December 2010
€888,891	5.5%	To be repaid in full exclusive of interest by September 2011

The loans are secured by a general hypothec for €2,329,373 over all assets present and future of the Group; a special hypothec for €2,329,373 over the temporary utile dominium expiring May 2045 on Medserv Site and buildings at Malta Freeport, the Port of Marsaxlokk; a guarantee that the Group shall not pay dividends in excess of 40% of its net profits before tax, not to pay dividends beyond the amount of €1,514,093 without the bank's prior consent.

Furthermore, the Group enjoys general overdraft facilities of €1,500,000 (2008:€745,400). These facilities bear interest rate at 3% per annum over the Bank's Base Rate and are secured by a general hypothec over the Group's assets present and future; a special hypothec over the emphyteutical property situated at the Company's sites and buildings at the Malta Freeport Area in the Port of Marsaxlokk. At year end, the Bank's Base Rate stood at 2.5% (2008: 3%) per annum.

At 31 December 2009, the Group had unutilised bank overdraft facilities of €899,330 (2008: €170,769).

During the current year, the Group has been granted a loan of LYD1,000,000 for the purpose of the development of land in Misurata. This loan, which was not yet utilised as at 31 December 2009, bears interest at 3% per annum over the central intervention rate issued by the Central Bank of Libya and has a moratorium of 6 months ending on 1 June 2010, with the loan being fully repaid by January 2012.

The loan is secured by an irrevocable corporate guarantee from the Company; a pledge on a subsidiary's plant and equipment, debt re-imbursement account with an equivalent of at least 6 months instalments in advance to be reserved until the end of the repayment period; a guarantee that the said subsidiary shall not pay dividend until the full repayment of this facility; the domiciliation of the local proceeds of the existing and local contracts and subrogation of insurance policy of the assets.

20 Provisions

The provision for retirement gratuities relates to the obligation of a subsidiary to effect ex-gratia payments to some of its retiring employees, according to the Collective Agreement with the employees' union.

21 Trade and other payables

21.1

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade payables	**3,812,820**	4,206,123	**11,556**	12,782
Amounts due to shareholders	**4,074**	420,356	**4,074**	356
Amounts due to other related party	**187,447**	9,047	**-**	-
Amounts due to directors	**41,787**	83,693	**-**	-
Accrued expenses	**1,155,268**	603,487	**212,199**	33,647
Non-trade payables	**126,965**	147,776	**-**	-
	5,328,361	5,470,482	**227,829**	46,785

21.2

Amounts due to shareholders and other related party are unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 26 to these financial statements.

21.3

The amounts due to the directors are unsecured, interest free and repayable on demand.

21.4

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

22 Cash and cash equivalents

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**€**	€	**€**	€
Cash at bank and in hand		**1,071,296**	446,528	**12,332**	3,271
Bank overdraft	19	**(600,670)**	(574,631)	**-**	-
Cash and cash equivalents		**470,626**	(128,103)	**12,332**	3,271
Cash pledged as guarantees		**(207,785)**	(65,223)	**-**	-
		262,841	(193,326)	**12,332**	3,271

23 Financial Instruments

23.1 Credit Risk

23.1.1 Exposure to credit risk

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

	Carrying amount			
	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade receivables	**6,816,305**	5,751,077	**-**	-
Cash at bank	**1,071,296**	446,528	**12,332**	3,271
	7,887,601	6,197,605	**12,332**	3,271

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Carrying amount				
Domestic	**454,043**	158,394	**-**	-
EU countries	**2,413,082**	1,085,979	**-**	-
Libya	**3,424,480**	2,970,286	**-**	-
USA	**517,110**	273,614	**-**	-
Other	**7,590**	1,262,804	**-**	-
	6,816,305	5,751,077	**-**	-

23.1.2 Impairment losses

The aging of trade receivables at the reporting date was:

The Group	Gross	Impairment	Gross	Impairment
	2009	**2009**	2008	2008
	€	**€**	€	€
Not past due	**3,048,345**	**-**	2,491,160	-
Past due 0-30 days	**933,589**	**-**	1,028,313	-
Past due 31-120 days	**1,179,685**	**-**	1,249,520	-
More than 120 days	**1,699,949**	**45,263**	1,467,265	485,181
	6,861,568	**45,263**	6,236,258	485,181

The impairment loss at 31 December 2009 of €45,263 relates to customers who have either gone to liquidation or a subsidiary has a pending court case against. The recoverability of such balances is doubtful at year-end, although the directors have indicated that efforts will be made to recover such balances.

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.

23.2 Liquidity risk

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

	Carrying Amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
	€	€	€	€	€	€
The Group						
31 December 2009						
Financial liabilities						
Secured bank loans	**(1,308,891)**	**(1,406,891)**	**(244,135)**	**(237,199)**	**(925,557)**	**-**
Trade and other payables	**(5,328,361)**	**(5,328,361)**	**(5,328,361)**	**-**	**-**	**-**
Bank overdraft	**(600,670)**	**(600,670)**	**(600,670)**	**-**	**-**	**-**
	(7,237,922)	**(7,335,922)**	**(6,173,166)**	**(237,199)**	**(925,557)**	**-**
31 December 2008						
Financial liabilities						
Secured bank loans	(1,398,189)	(1,519,119)	(321,470)	(238,758)	(958,891)	-
Trade and other payables	(5,470,482)	(5,470,482)	(5,470,482)	-	-	-
Bank overdraft	(574,631)	(574,631)	(574,631)	-	-	-
	(7,443,302)	(7,564,232)	(6,366,583)	(238,758)	(958,891)	-
The Company						
31 December 2009						
Financial liabilities Trade and other payables	**(227,829)**	**(227,829)**	**(227,829)**	**-**	**-**	**-**
31 December 2008						
Financial liabilities Trade and other payables	(46,785)	(46,785)	(46,785)	-	-	-

23.3 Currency risk

23.3.1 Exposure to currency risk

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

	31 December 2009			31 December 2008		
	USD	GBP	LYD	USD	GBP	LYD
Trade receivables	2,171,880	-	1,713,116	1,421,627	-	2,445,691
Trade payables	(695,315)	(29,104)	(1,331,699)	(3,912,695)	(29,007)	(405,365)
Gross balance sheet exposure	1,476,565	(29,104)	381,417	(2,491,068)	(29,007)	2,040,326
Estimated forecast sales	3,252,250	-	2,259,384	2,955,197	-	4,347,900
Estimated forecast purchases	(1,150,000)	(48,200)	(2,385,526)	(2,350,000)	(70,000)	(3,860,935)
Gross exposure	2,102,520	(48,200)	(126,142)	605,197	(70,000)	486,965
Net exposure	3,579,085	(77,304)	255,275	(1,885,871)	(99,007)	2,527,291

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
USD	1.395	1.471	1.433	1.410
GBP	0.892	0.796	0.900	0.974
LYD	1.742	1.821	1.799	1.739

23.3.2 Sensitivity analysis

A 10 percent strengthening of the Euro against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss
	€
31 December 2009	
USD	**(133,084)**
GBP	**2,940**
LYD	**17,579**
31 December 2008	
USD	(32,418)
GBP	2,706
LYD	9,898

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.

23.4 Interest rate risk

23.4.1 Profile

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

	Carrying amount	
	2009	2008
	€	€
Fixed rate instruments Financial assets	**222,554**	76,721
Variable rate instruments Financial liabilities	**(1,909,561)**	(2,392,820)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the 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 2008.

Group	Profit or loss	
	100 bp increase	100 bp decrease
31 December 2009		
Variable rate instruments	**(13,058)**	**13,058**
Cash flow sensitivity (net)	**(13,058)**	**13,058**
31 December 2008		
Variable rate instruments	(24,110)	24,110
Cash flow sensitivity (net)	(24,110)	24,110

Financial Statements

23.5 Fair values

Fair values versus carrying amounts

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

The Group	**31 December 2009**		31 December 2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**7,207,738**	**7,207,738**	5,652,085	5,652,085
Cash at bank and in hand	**1,071,296**	**1,071,296**	446,528	446,528
Secured bank loans	**(1,308,891)**	**(1,308,891)**	(1,398,189)	(1,398,189)
Trade and other payables	**(5,268,696)**	**(5,268,696)**	(5,402,482)	(5,402,482)
Bank overdraft	**(600,670)**	**(600,670)**	(574,631)	(574,631)
	1,100,777	**1,100,777**	(1,276,689)	(1,276,689)

The fair value and carrying amounts of trade and other receivables and trade and other payables do not include the amount of €145,651 (2008: €98,992) and €59,665 (2008: €68,000) respectively, which represents prepaid and accrued expenses on which there is no contractual obligation, written or implied at reporting date.

The Company	**31 December 2009**		31 December 2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	€	**€**	€	€
Trade and other receivables	**4,070,901**	**4,070,901**	2,191,003	2,191,003
Cash at bank and in hand	**12,332**	**12,332**	3,271	3,271
Trade and other payables	**(210,329)**	**(210,329)**	(29,285)	(29,285)
	3,872,904	**3,872,904**	(2,164,989)	(2,164,989)

The fair value and carrying amounts of trade and other receivables and trade and other payables do not include the amount of €16,750 (2008: €17,584) and €17,000 (2008: €22,000) respectively, which represents prepaid and accrued expenses on which there is no contractual obligation, written or implied at reporting date.

The basis for determining fair values is disclosed in note 4.

24 Contingencies

24.1

At balance sheet date, the Group had the following contingent liabilities:

- Guarantees given to the Group's bankers in favour of third parties amounting to €8,159 (2008: €3,494);
- Unquantified claims for damages submitted by employees of a subsidiary, including a former managing director, which claims are being disputed by the subsidiary;
- A claim for damages submitted by a third party, amounting to €16,772 (2008: €17,883), which is being disputed by the subsidiary;
- An unquantified amount following a dispute by a third party against a subsidiary, which the subsidiary is contesting.

No provision has been made in these financial statements towards the above claims.

24.2 Counter claims

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

25 Capital commitments

During the year ended 31 December 2009, the Group entered into an agreement to purchase plant and equipment for €70,000 (2008: €Nil).

26 Related parties

26.1 Ultimate controlling party

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

26.2 Identity of related parties

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

The Company has a related party relationship with its subsidiaries (see note 14.2), its directors, its shareholder, a company controlled by a subsidiary ("other related undertaking") and an immediate relative of the director ("other related party").

26.3 Transactions with key management personnel

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

26.4 Other related party transactions

The terms and conditions of the transactions with shareholders and other related parties were no more favourable than those available, or which might reasonably be expected to be available on similar transactions with non-related entities on an arm's length basis.

In addition to transactions disclosed in the statement of cash flows, the following transactions were conducted during the year:

	The Company	
	2009	2008
	€	€
Subsidiaries		
Management fee receivable from	**570,243**	307,701
Payments of expenses on behalf of Company by	**266,779**	549,776
Recharge of expenses to Company by	**253,921**	88,948
Management fee on behalf of Company received by	-	73,017
Dividends receivable	**2,070,000**	933,866

	The Group		The Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Shareholders				
Dividends paid to	**390,000**	-	**-**	-
Interest charged by	**16,605**	19,188	**-**	-
Key management personnel				
Payment of expenses on behalf of	**50,491**	177,230	**-**	-
Repayment of expenses on behalf of	**19,590**	258,986	**-**	-
Other related undertaking				
Fee charged by			**709,937**	367,972
Services provided by			**48,594**	-
Payment of expenses on behalf of			**-**	58,028
Repayment of expenses on behalf of			**-**	48,981
Other related party				
Services provided to	**2,400**	-	**2,400**	-

26.5 Related party balances

Information on amounts due from or payable to related parties are set out in notes 16 and 21 to these financial statements.

Auditors' Report 2009

KPMG

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 20 to 59, which comprise the statements of financial position as at 31 December 2009 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, 1995 (Chapter 386, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Companies Act, 1995 (Chapter 386, Laws of Malta) and may not be appropriate for any other purpose.

In addition, we read the other information contained in the Annual Report for the year ended 31 December 2009 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements 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

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

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 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

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

Report on Other Legal and Regulatory Requirements

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

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- proper accounting records have not been kept by the Company; or

- the Company's financial statements are not in agreement with the accounting records; or

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit; or

- certain disclosures of directors' remuneration specified by the Act are not made.

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

Report required by Listing Rule 8.38 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 8.1 to Chapter 8 (Continuing Obligations) of the Listing Rules (the "Appendix")

Listing Rule 8.36 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 8.36b 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 8.38, which requires us to issue a report on the Directors' Statement of Compliance with the Principles, which is set out in pages 13 to 16.

We review the Directors' Statement of Compliance and report as to whether this Statement provides the disclosures required by Listing Rules 8.37 and 8.38 as obtaining prior to the coming into effect of Circular 01/2010 issued to all Company Secretaries and Stockbroking Firms by the Listing Authority (Malta Financial Services Authority), which Circular came into effect on 11th January 2010. We are not required to, and we do not, consider whether the Board's statements on internal control cover all risks and controls, 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 in pages 13 to 16 provides the disclosures required by the aforementioned Listing Rules 8.37 and 8.38 as obtaining prior to the coming into effect of Circular 01/2010 issued to all Company Secretaries and Stockbroking Firms by the Listing Authority (Malta Financial Services Authority), which Circular came into effect on 11th January 2010.

Joseph C Schembri

(PARTNER) FOR AND ON BEHALF OF

KPMG

Registered Auditors

8 April 2010

WWW.SWITCH.COM.MT