ANNUAL REPORT 2008

For the Year Ended 31 December 2008

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Chairman's Statement

Never have we experienced, nor expected, such a sharp negative turnaround in the world economy as we did in the year under review. Demand for oil dropped due to the prevailing global economic downturn, as consumption drastically diminished. Despite the cutting back of production by the major producers of oil, the price of crude oil never recovered to the levels we saw in 2007. Analysts forecast that the price of oil should stabilise in the second quarter of this year at around USD60 to USD80 a barrel whilst long term predictions are that it will reach the USD100 mark.

The above has direct implications on our operation in the medium to long term. Projects may be delayed waiting for the price of oil to stabilise itself at the acceptable level to justify exploration. Medserv is however fortunate that exploration costs and the quality of the crude in our main market are such that make it one of the most competitive areas for oil companies to operate.

The results we are reporting verify the above and are the reason for our positive outlook for the future. Our performance in 2008 is in fact in line with what I had reported in my statement to you in 2007. Group turnover reached €15,565,257 which includes low margin activities totaling €6,438,214. These activities had to be performed to offer our clients a complete service. Group profit achieved for the year before taxation amounted to €975,421 and after accounting for taxation, the Group achieved a profit of €1,299,469.

Our subsidiary, Medserv Misurata Free Zone Company, continued to perform well and contributed in no small way to our positive results for the year under review. We anticipate that performance in our subsidiary will be even stronger in 2009 as more exploration activity gets underway. We expect to commence developing the newly acquired additional area of 30,000 sq.m in Misurata to be ready to accept business by the last quarter of this year. Our client base in our subsidiary is made up of leading companies from Libya, USA, EU countries, Brazil, Japan and Russia. It is pertinent to mention that our representative office in Tripoli, Libya has performed well and in fact plays a significant role in securing the business as well as servicing the requirements of clients based in Libya.

The Malta base was very active during 2008. Of particular significance was the servicing of rigs, specialised vessels, storage of materials and equipment and handling of personnel. Malta has maintained its role as hub for operations in the Mediterranean mainly in Libya, Egypt and Tunisia.

Due to the increased competition and the slowdown in the global economy, the pressure on prices has increased. The industry in fact expects not only a containment of costs but a reduction whilst maintaining the highest standards of service. The market is expecting better value. We do not see this as a threat but rather we view this as an opportunity to review our operations to ensure that we remain competitive and reactive to market changes. We are confident in our strength, experience and know-how and expect to be better placed to meet the inevitable increase in business when the world economy recovers.

Over the past year we have strengthened our management team with the engagement of a number of young professionals comprising a Financial Controller, a General Manager Administration, a Health and Safety Manager and an Assistant Yard Manager. This investment in human resources is a must to guarantee continuity and meet the expected growth in business.

We are confronted with a very fluid and dynamic business scenario with plenty of opportunities. To take advantage of this our Company must embrace continual change and self renewal. We are confident that our staff at all levels is capable to do this. Our confidence stems from the results obtained from all at Medserv to whom I would like to extend thanks and congratulations.

Anthony S Diacono
Chairman
25 March 2009

Directors' Report
For the Year Ended 31 December 2008

The directors present their report, together with the financial statements of Medserv p.l.c. (the "Company"), for the year ended 31 December 2008.

Board of directors

Anthony S Diacono
Anthony J Duncan
Jan van Leeuwen
Joseph F X Zahra

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 €975,421 and the Company achieved a profit before taxation amounting to €596,104. After accounting for taxation, the Group and the Company achieved a profit for the year amounting to €1,299,469 and €484,483, respectively.

As at 31 December 2008, the Group and the Company enjoyed a positive short term liquidity position of €139,551 and €2,199,573, respectively. Total assets of the Group and the Company exceeded total liabilities as at 31 December 2008 by €7,344,985 and €2,722,226, respectively.

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;

Directors' Report
For the Year Ended 31 December 2008

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.

Directors' Report
For the Year Ended 31 December 2008

Appointment and replacement of directors (continued)

(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 Act.

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

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

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

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

Directors' Report
For the Year Ended 31 December 2008

Board member powers

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

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

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

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

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

Dividends

A final dividend amounting to €390,000 is being recommended.

Reserves

During the year, unrealised gains recognised by the Group, amounting to €317,084, were transferred from retained earnings to other reserve in accordance with the requirements of the Companies Act, 1995. In addition, the Group transferred from retained earnings to legal reserve an amount of €60,000.

Approved by the Board of Directors on 25 March 2009 and signed on its behalf by:

Anthony S Diacono
Director

Anthony J Duncan
Director

Port of Marsaxlokk
Birzebbugia
Malta

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 15 to 53 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 25 March 2009 by:

Anthony S Diacono
Director

Anthony J Duncan
Director

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Introduction

Pursuant to Listing Rules 8.36 to 8.38 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 two 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), and Johannes Jacobus van Leeuwen (non-executive director), and Anthony J. Duncan (executive director). For the period under review the audit committee met six times. Furthermore, the Listing Authority has confirmed that, on the basis of declarations made by Mr Joseph F X Zahra and Mr Johannes Jacobus van Leeuwen, the majority of the audit committee members, as currently constituted, is deemed to be independent for the purpose of the Listing Rules. Following such declarations, such persons are also considered to be independent directors for the purposes of the Code.

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 remuneration paid to the two Executive Directors, amounted to €167,987.

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 of Directors currently comprises four directors elected by the shareholders in general meeting. For the period under review the Board has implemented its policy to meet at least once every quarter. In fact, the Board met five times during 2008. 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.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Board of Directors (continued)

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.

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 of Directors 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, balance sheet, 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 six times since 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. In 2008, the Company employed Mr Karl Bartolo as financial controller of the Medserv group of companies (the "Group"). He is responsible for the preparation of the financial statements of the Group, for the accounts and administration division of the Group and forms part of the strategic team of the Group. The Board has discussed and implemented a number of measures aimed at obtaining a succession plan with respect to the executive directors and member of the senior executive management.

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.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Annual General Meeting (continued)

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.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

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. Furthermore, the Company has supported the local community through the sponsorship of local sporting events. Furthermore, 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.

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.

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Independent Auditors' Report

To the Members of Medserv p.l.c.

Pursuant to Listing Rule 8.39 issued by the Listing Authority

Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the directors of Medserv p.l.c. (the "Company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "Statement of Compliance"), and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 8.39, which requires us to include a report on this Statement of Compliance.

We read the Statement of Compliance 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 misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures, nor on the ability of the Company to continue in operational existence.

In our opinion, the accompanying Statement of Compliance provides the disclosures required by Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Joseph C Schembri (Partner) for and on behalf of

KPMG
Registered Auditors

25 March 2009

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:

	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 24 March 2009.

Pursuant to Listing Rule 9.44e.6 – shareholding

Shareholders holding 5% or more of the equity share capital:

	As at 31 December 2008	As at 24 March 2009
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)	9.56% (956,000 shares)	9.60% (960,500 shares)
HSBC Bank Malta p.l.c. (for the benefit of clients)	7.13% (713,490 shares)	7.13% (713,490 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 2008	No. of Shareholders 24 March 2009
1 - 1000	22	22
1001 - 5000	71	71
5001 and over	54	54

The total number of shareholders as at 31 December 2008 and as at 24 March 2009 was 147. 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 25 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

Company Secretary:	Dr Louis de Gabriele LL.D.
Registered Office of Company:	The Port of Marsaxlokk Birzebbugia BBG 3011 Malta
Telephone:	(+356) 2220 2000

Directors' Responsibility for the Financial Statements

The Companies Act, 1995 (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

Balance Sheet
As at 31 December 2008

		The Group		The Company	
	Note	**2008** **€**	2007 €	**2008** **€**	2007 €
ASSETS					
Property, plant and equipment	13	**4,102,133**	3,416,799	**-**	-
Investments in subsidiaries	14	**-**	-	**522,653**	511,006
Deferred tax assets	15	**4,017,807**	3,699,527	**-**	22,255
Total non-current assets		**8,119,940**	7,116,326	**522,653**	533,261
Current tax asset		**48,299**	23,448	**34,500**	-
Trade and other receivables	16	**6,199,135**	3,046,876	**2,208,587**	1,780,657
Cash at bank and in hand		**446,528**	239,553	**3,271**	3,289
Total current assets		**6,693,962**	3,309,877	**2,246,358**	1,783,946
Total assets		**14,813,902**	10,426,203	**2,769,011**	2,317,207

The notes on pages 22 to 53 are an integral part of these financial statements.

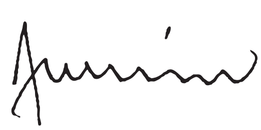
Balance Sheet
As at 31 December 2008

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**€**	€	**€**	€
EQUITY					
Share capital		**2,329,370**	2,329,370	**2,329,370**	2,329,370
Reserves		**3,901,688**	3,524,604	**-**	-
Retained earnings/(accumulated losses)		**757,064**	-	**392,856**	(91,627)
Total equity attributable to equity holders of the Company		**6,988,122**	5,853,974	**2,722,226**	2,237,743
Minority interest		**356,863**	191,542	**-**	-
Total equity	17	**7,344,985**	6,045,516	**2,722,226**	2,237,743
LIABILITIES					
Interest-bearing borrowings	19	**888,891**	1,396,743	**-**	-
Provisions	20	**25,615**	35,579	**-**	-
Total non-current liabilities		**914,506**	1,432,322	**-**	-
Interest-bearing borrowings	19	**1,083,929**	1,096,059	**-**	-
Trade and other payables	21	**5,470,482**	1,852,306	**46,785**	79,464
Total current liabilities		**6,554,411**	2,948,365	**46,785**	79,464
Total liabilities		**7,468,917**	4,380,687	**46,785**	79,464
Total equity and liabilities		**14,813,902**	10,426,203	**2,769,011**	2,317,207

The notes on pages 22 to 53 are an integral part of these financial statements.

The financial statements on pages 15 to 53 were approved and authorised for issue by the Board of Directors on 25 March 2009 and signed on its behalf by:

Anthony S Diacono
Director



Anthony J Duncan
Director

Statement of Changes in Equity – The Group
For the Year Ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital	Fair value reserve	Legal reserve	Other reserve	Retained earnings/ (accumulated losses)	Total	Minority interest	Total equity
	€	€	€	€	€	€	€	€
Balance at 1 January 2007	2,329,370	7,265	-	3,346,474	663,038	6,346,147	-	6,346,147
Issue of shares to minority	-	-	-	-	-	-	120,002	120,002
Profit for the year	-	-	-	-	66,483	66,483	-	66,483
Profit attributable to minority	-	-	-	-	(71,540)	(71,540)	71,540	-
Disposal of available-for-sale investment*	-	(7,647)	-	-	-	(7,647)	-	(7,647)
Reversal of deferred tax thereon*	-	382	-	-	-	382	-	382
Transfer from retained earnings:								
Unrealised gain recognised	-	-	-	178,130	(178,130)	-	-	-
Interim dividend	-	-	-	-	(479,851)	(479,851)	-	(479,851)
Balance at 31 December 2007	2,329,370	-	-	3,524,604	-	5,853,974	191,542	6,045,516
Balance at 1 January 2008	**2,329,370**	**-**	**-**	**3,524,604**	**-**	**5,853,974**	**191,542**	**6,045,516**
Profit for the year	**-**	**-**	**-**	**-**	**1,299,469**	**1,299,469**	**-**	**1,299,469**
Profit attributable to minority	**-**	**-**	**-**	**-**	**(165,321)**	**(165,321)**	**165,321**	**-**
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**

* Net income recognised directly in equity

The notes on pages 22 to 53 are an integral part of these financial statements.

Statement of Changes in Equity – The Company
For the Year Ended 31 December 2008

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	€	€	€
Balance at 1 January 2007	2,329,370	(4,033)	2,325,337
Profit for the year	-	392,257	392,257
Interim dividend	-	(479,851)	(479,851)
Balance at 31 December 2007	2,329,370	(91,627)	2,237,743
Balance at 1 January 2008	**2,329,370**	**(91,627)**	**2,237,743**
Profit for the year	**-**	**484,483**	**484,483**
Balance at 31 December 2008	**2,329,370**	**392,856**	**2,722,226**

The notes on pages 22 to 53 are an integral part of these financial statements.

Income Statement
For the Year Ended 31 December 2008

	Note	The Group 2008 €	The Group 2007 €	The Company 2008 €	The Company 2007 €
CONTINUING OPERATIONS					
Revenue	7	**15,565,257**	4,650,522	**1,241,567**	585,516
Cost of sales		**(12,446,909)**	(3,288,388)	**(333,658)**	(124,267)
Gross profit		**3,118,348**	1,362,134	**907,909**	461,249
Other income	8	**6,074**	12,395	**-**	-
Administrative expenses	9	**(1,771,349)**	(1,532,791)	**(105,395)**	(91,247)
Other expenses	9	**(288,252)**	(37,904)	**(206,410)**	-
Results from operating activities		**1,064,821**	(196,166)	**596,104**	370,002
Finance income	11	**43,203**	44,428	**-**	-
Finance expenses	11	**(132,603)**	(135,595)	**-**	-
Net finance expense	11	**(89,400)**	(91,167)	**-**	-
Profit before income tax		**975,421**	(287,333)	**596,104**	370,002
Tax income/(expense)	12	**324,048**	353,816	**(111,621)**	22,255
Profit for the year		**1,299,469**	66,483	**484,483**	392,257
Attributable to:					
Equity holders of the Company		**1,134,148**	(5,057)	**484,483**	392,257
Minority interest		**165,321**	71,540	**-**	-
Profit for the year		**1,299,469**	66,483	**484,483**	392,257
Earnings/(loss) per share					
Basic earnings/(loss) per share	18	**11c3**	(0c05)	**4c8**	3c9

The notes on pages 22 to 53 are an integral part of these financial statements.

Cash Flow Statement
For the Year Ended 31 December 2008

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**€**	€	**€**	€
Cash flows from operating activities					
Profit for the year		**1,299,469**	66,483	**484,483**	392,257
Adjustments for:					
Depreciation		**520,990**	251,393	**-**	-
Dividends receivable		**-**	-	**(933,866)**	(512,462)
Tax (income)/expense	12	**(324,048)**	(353,816)	**111,621**	(22,255)
Profit on disposal of machinery		**(2,100)**	(2,329)	**-**	-
Impairment loss on trade receivables		**-**	4,309	**-**	-
Provision for exchange fluctuations		**(24,012)**	(39,868)	**-**	-
Provision for gratuity payments		**(9,955)**	(4,698)	**-**	-
Interest payable	11	**132,603**	135,595	**-**	-
Interest receivable	11	**(23,165)**	(6,848)	**-**	-
Termination benefits payable		**9,019**	-	**-**	-
		1,578,801	50,221	**(337,762)**	(142,460)
Change in trade and other receivables		**(3,284,912)**	(566,538)	**(2,050)**	(75,968)
Change in trade and other payables		**2,934,885**	843,267	**(29,940)**	67,053
Change in related undertakings balances		**-**	-	**363,671**	150,801
Change in shareholders' balances		**(2,742)**	3,099	**(2,742)**	3,099
Change in directors' balances		**-**	(1,821)	**-**	-
Cash generated from/(absorbed by) operating activities		**1,226,032**	328,228	**(8,823)**	2,525
Interest paid		**(17,547)**	(2,008)	**-**	-
Tax refund		**4,426**	-	**-**	-
Termination benefits paid		**(9,019)**	-	**-**	-
Dividends received		**-**	-	**-**	479,851
Net cash from/(used in) operating activities		**1,203,892**	326,220	**(8,823)**	482,376
Cash flows from investing activities					
Investment in subsidiaries		-	-	**(11,647)**	(180,035)
Acquisition of property, plant and equipment		**(900,151)**	(220,256)	**-**	-
Receipt from disposal of machinery		**9,908**	2,329	**-**	-
Interest received		**4,224**	2,614	**-**	-
Payments by Company on behalf of other related undertaking		**-**	(209,944)	**-**	-
Payment of expenses on behalf of directors		**(177,230)**	(220,401)	**-**	-
Advances to directors		**(11,079)**	-	**-**	-
Repayment of payments on behalf of directors		**258,986**	221,996	**-**	-
Net cash used in investing activities		**(815,342)**	(423,662)	**(11,647)**	(180,035)
Balance carried forward		**388,550**	(97,442)	**(20,470)**	302,341

The notes on pages 22 to 53 are an integral part of these financial statements.

Cash Flow Statement
For the Year Ended 31 December 2008

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**€**	€	**€**	€
Balance brought forward		**388,550**	(97,442)	**(20,470)**	302,341
Cash flows from financing activities					
Loan advanced by bank		**-**	462,008	**-**	-
Loan advanced by other related party		**420,000**	-	**-**	-
Loan repayments		**(556,787)**	(374,249)	**-**	-
Proceeds from issue of share capital		**-**	120,002	**-**	-
Repayment of amounts advanced by shareholders		**-**	(317,065)	**-**	(317,065)
Interest paid on bank loan		**(113,852)**	(140,834)	**-**	-
Advances by subsidiary		**-**	-	**20,452**	497,673
Dividends paid		**-**	(479,851)	**-**	(479,851)
Net cash (used in)/from financing activities		**(250,639)**	(729,989)	**20,452**	(299,243)
Net increase/(decrease) in cash and cash equivalents		**137,911**	(827,431)	**(18)**	3,098
Cash and cash equivalents at 1 January		**(363,496)**	433,895	**3,289**	191
Effect of exchange rate fluctuations on cash held		**32,259**	30,040	-	-
Cash and cash equivalents at 31 December	22	**(193,326)**	(363,496)	**3,271**	3,289

The notes on pages 22 to 53 are an integral part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2008

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 2008 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

By virtue of Regulation 3 of Legal Notice 19 of 2009, Accountancy Profession (Accounting and Auditing Standards) Regulations, 2009, published under the Accountancy Professional Act, compliance with generally accepted accounting principles and practice has been defined as adherence to international accounting standards as adopted by the EU. The legal notice has been deemed to come into force on 1 October 2008, and accordingly these financial statements have been drawn up 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.

The change in the applicable framework from IFRS issued by the International Accounting Standards Board, in use for the comparative period, did not result in any changes in the Group's accounting policies, and, accordingly, no adjustment was required to the corresponding figures included in the current year's financial statements. In addition, this change did not impact the year end financial position and the current year's financial performance and cash flows.

These financial statements have also been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta, to the extent that such provisions do not conflict with the requirements of 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

Following Malta's adoption of the Euro as its national currency on 1 January 2008, the Company's functional currency was changed from Maltese Lira (Lm) to Euro (€).

Consequently, the results, cash flows and financial position as presented in these financial statements were translated at the irrevocably fixed conversion rate of €1:Lm0.42930 as at that date.

2.4 Use of estimates and judgements

The preparation of 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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.

In particular, 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 - Deferred tax asset recognised by a subsidiary.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.3 Financial instruments

3.3.1 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3.3.1.1 Cash and cash equivalents

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.

Accounting for finance income is discussed in note 3.12.

3.3.1.2 Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

3.3.2 Share capital

Share capital consists of ordinary shares which 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.

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 Company 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 and loss as incurred.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

3.4.3 Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives 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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3.5 Impairment

3.5.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at cost or amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

3.5.2 Non-financial assets

The carrying amounts of the Company's non-financial 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.5 Impairment (continued)

3.5.2 Non-financial assets (continued)

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 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").

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

3.6 Investments in subsidiaries

Investments in subsidiaries are shown in the balance sheet of the Company at cost less any impairment loss.

3.7 Employee benefits

3.7.1 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 as an expense in the income statement as incurred.

3.7.2 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 Malta Government Bonds that have maturity dates approximating the terms of the Group's obligations.

3.8 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.

3.9 Revenue

3.9.1 Services rendered

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.9 Revenue (continued)

3.9.2 Goods sold

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

3.9.3 Dividends

Dividend income is recognised in the income statement on the date the entity's right to receive payment is established

3.10 Other income

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

3.11 Lease payments

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

3.12 Finance income and expenses

Net finance costs comprise interest payable on borrowings calculated using the effective interest method and foreign exchange gains and losses that are recognised in the profit or loss.

All borrowing costs are recognised as an expense during the period in which they are incurred.

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

3.13 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.14 Earnings per share

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

3.15 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. The geographical segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

3.15 Segment reporting (continued)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investment, loans and borrowings and related expenses and income tax assets and liabilities.

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

3.16 Unrealised profits

Part II of the Third Schedule to the Act requires that only profits realised at the 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.

3.17 New standards not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective for the year ended 31 December 2008 and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments is effective for annual periods beginning on or after 1 January 2009. This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that management uses to make operating decisions. The Group currently presents one segment based on customer groups, which reflect the way the business of the Group is managed. The Group currently expects to adopt IFRS 8 with effect from 1 January 2009, and will accordingly present segmental information which reflects the operating segments used to make operating decisions at the time.

- IAS 1 Presentation of Financial Statements (as revised in 2007) requires all owner changes in equity to be presented in a statement of changes in equity and all non-owner changes in equity to be presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires the presentation of a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when an entity applies an accounting policy retrospectively or makes a retrospective restatement, or when an entity reclassifies items in the financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.17 New standards not yet adopted (continued)

Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, also requires the disclosure of reclassification adjustments and income tax relating to each component of other comprehensive income and the presentation of dividends recognised as distributions to owners and related amounts per share in the statement of changes in equity or in the notes.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 consolidated financial statements. The Group is currently assessing the impact and expected timing of adoption of these amendments on the Group's results and financial position.

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.

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

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.

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

Notes to the Financial Statements
For the Year Ended 31 December 2008

5 Financial risk management (continued)

5.1 Overview (continued)

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 Company'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.

5.2 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 receivables from customers.

5.2.1 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 of an influence on credit risk. Approximately 29 percent of the Group's revenue is attributable to sales transactions with a single customer.

The Group offers logistical services to international 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 Company. Contracts with customers are generally negotiated by the Board of Directors and discussed with the Audit Committee.

Most of the Company's customers have been transacting with the Company 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.

5.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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. In addition, the Group maintains a €745,400 overdraft facility that is secured. Interest is payable at the European Bank's Base Rate plus 1.5%.

5.4 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

5 Financial risk management (continued)

5.4 Market risk (continued)

5.4.1 Currency risk

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

5.4.2 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.

5.5 Capital management

The Board's 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 Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

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

The Group is not subject to externally imposed capital requirements.

6 Segment reporting

6.1 Geographical segments

The Group's internal reporting to the Board of Directors was analysed according to the geographical location of bases from where the Group's services are provided. The geographical segments were defined as follows:

Malta operation comprises the operations of Medserv Operations Limited (see note 14.2), which is the Group entity operating the Group's base situated at Malta Freeport, Kalafrana, Malta, including the administrative costs incurred by the Company.

Libya operation comprises the operations of Medserv Misurata FZC (see note 14.2), which is the Group entity operating the Group's base situated at Misurata Freeport, Misurata, Libya.

6.2 Business segments

The Group does not distinguish between the various services being rendered to its clients, which are offered a package of services. Management believes that geographical segmentation is more appropriate to further understand the operations of the Group.

Notes to the Financial Statements
For the Year Ended 31 December 2008

6 Segment reporting (continued)

6.3 Geographical segments

	Malta operation		Libya operation		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€	€	**€**	€	**€**	€	**€**	€
External revenues	**10,974,136**	3,919,981	**4,591,121**	730,541	**-**	-	**15,565,257**	4,650,522
Inter-segment revenue	**307,701**	73,054	**-**	-	**(307,701)**	(73,054)	**-**	-
Total revenue	**11,281,837**	3,993,035	**4,591,121**	730,541	**(307,701)**	(73,054)	**15,565,257**	4,650,522
External operating costs	**(10,401,012)**	(4,166,071)	**(3,578,434)**	(429,224)	**-**	-	**(13,979,446)**	(4,595,295)
Inter-segment operating costs	**-**	-	**(307,701)**	(73,054)	**307,701**	73,054	**-**	-
Depreciation	**(248,592)**	(199,376)	**(272,398)**	(52,017)	**-**	-	**(520,990)**	(251,393)
Total segment costs	**(10,649,604)**	(4,365,447)	**(4,158,533)**	(554,295)	**307,701**	73,054	**(14,500,436)**	(4,846,688)
Segment result from operating activities	**632,233**	(372,412)	**432,588**	176,246	**-**	-	**1,064,821**	(196,166)
Finance income							**43,203**	44,428
Finance expenses							**(132,603)**	(135,595)
Tax income							**324,048**	353,816
Profit for the year							**1,299,469**	66,483

Notes to the Financial Statements
For the Year Ended 31 December 2008

6 Segment reporting (continued)

6.3 Geographical segments (continued)

	Malta operation		Libya operation		Total	
	2008	2007	**2008**	2007	**2008**	2007
	€	€	**€**	€	**€**	€
Segment assets	**10,795,424**	9,137,957	**4,006,831**	1,288,246	**14,802,255**	10,426,203
Unallocated assets	**-**	-	**-**	-	**11,647**	-
Total assets	**10,795,424**	9,137,957	**4,006,831**	1,288,246	**14,813,902**	10,426,203
Segment liabilities	**3,732,567**	1,913,974	**2,326,514**	511,729	**6,059,081**	2,425,703
Unallocated liabilities	**-**	-	**-**	-	**1,409,836**	1,954,984
Total liabilities	**3,732,567**	1,913,974	**2,326,514**	511,729	**7,468,917**	4,380,687
Capital expenditure	**216,884**	53,618	**999,228**	459,037	**1,216,112**	512,655
Depreciation	**248,592**	199,376	**272,398**	52,017	**520,990**	251,393

7 Revenue

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

7.1 Geographical markets

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Malta	**10,974,136**	3,919,981	**933,866**	512,462
Libya	**4,591,121**	730,541	**307,701**	73,054
	15,565,257	4,650,522	**1,241,567**	585,516

7.2 Category of activity

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Logistical support and other services	**15,565,257**	4,650,522	**-**	-
Management fee	**-**	-	**307,701**	73,054
Dividends receivable from subsidiary	**-**	-	**933,866**	512,462
	15,565,257	4,650,522	**1,241,567**	585,516

Notes to the Financial Statements
For the Year Ended 31 December 2008

8 Other income

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Unrealised operating exchange gains	**3,974**	9,833	**-**	-
Unclaimed liabilities written back	**-**	233	**-**	-
Profit on disposal of machinery	**2,100**	2,329	**-**	-
	6,074	12,395	**-**	-

9 Administrative and other expenses

9.1 Administrative expenses are stated after charging professional fees charged by the auditors during 2008 for:

	The Group	
	2008	2007
	€	€
Auditors' remuneration	**52,000**	22,000
Tax advisory services	**2,510**	1,060
Other non-audit services	**17,532**	17,310
	72,042	40,370

9.2 Other expenses

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Realised operating exchange losses	**81,842**	33,595	**-**	-
Impairment loss on trade receivables	**-**	4,309	**-**	-
Other expenses	**206,410**	-	**206,410**	-
	288,252	37,904	**206,410**	-

Other expenses 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

10 Personnel expenses

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

	The Group	
	2008	2007
	€	€
Directors' emoluments:		
Remuneration	**94,564**	93,175
Fees	**73,423**	23,294
	167,987	116,469
Wages and salaries	**856,910**	616,501
Social security contributions	**65,637**	55,190
	1,090,534	788,160

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

	The Group	
	2008	2007
	No.	No.
Operating	**29**	20
Management and administration	**24**	22
	53	42

11 Finance income and expenses

	The Group	
	2008	2007
	€	€
Non-operating exchange differences	**20,038**	30,035
Profit on disposal of investment	**-**	7,545
Interest income	**23,165**	6,848
Finance income	**43,203**	44,428
Interest payable on bank loan	**100,247**	126,548
Other bank interest payable	**12,946**	9,047
Interest payable on loan by related party	**19,410**	-
Finance expenses	**132,603**	135,595
Net finance expense	**(89,400)**	(91,167)

Notes to the Financial Statements
For the Year Ended 31 December 2008

12 Income tax

12.1 Recognised in the income statement

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Current tax				
Current year	**(4,918)**	-	**(105,274)**	-
Prior year	**10,686**	-	**15,908**	-
	5,768	-	**(89,366)**	-
Deferred tax				
Origination and reversal of temporary differences	**318,280**	353,816	**(22,255)**	22,255
	324,048	353,816	**(111,621)**	22,255

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

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Profit/(loss) before tax	**975,421**	(287,333)	**596,104**	370,002
Income tax using the domestic income tax rate	**(341,397)**	100,567	**(208,636)**	(129,501)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(577)**	(3,625)	**-**	-
Business Promotion Act investment tax credit	**299,448**	230,946	**-**	-
Disallowed expenses	**(378,151)**	(28,099)	**(102,132)**	(27,605)
Exempt dividends receivable	**-**	-	**205,494**	179,361
Exempt income from foreign operations	**364,223**	62,602	**-**	-
Difference in tax rates applicable to Group entities	**411,813**	(106,073)	**-**	-
Difference in future tax rates	**86,147**	82,935	**-**	-
Other exempt income	**-**	7,016	**-**	-
Adjustment to prior years' deferred tax asset	**(22,956)**	7,547	**(22,255)**	-
Adjustment to prior year's current tax	**10,686**	-	**15,908**	-
Consolidation adjustments	**(105,188)**	-	**-**	-
	324,048	353,816	**(111,621)**	22,255

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).

Notes to the Financial Statements
For the Year Ended 31 December 2008

12 Income tax (continued)

12.3 Income tax of operations in Libya

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

12.4 During the year, the Group carried out services outside Misurata free zone and was therefore subject to tax at the tax rate applicable in Libya on profits achieved from such services.

12.5 The Group is eligible to the incentives provided by regulation 31 of the Business Promotion Regulations, 2001 ("BPRs"). Up to the financial year 31 December 2008, the Group is entitled to a reduced rate of income tax of 5% (Regulation 4 of BPRs) up to so much of its profit equivalent to €58,234 (at 2002 prices) per full time equivalent employee. As from 1 January 2009, the Group will be subject to tax at the standard corporate tax rate which currently stands at 35%.

Notes to the Financial Statements – The Group
For the Year Ended 31 December 2008

13 Property, plant and equipment

13.1

	Total	Buildings	Base improvements	Plant and equipment	Furniture and fittings	Health and safety	Office equipment	Computer equipment	Motor vehicles	Materials awaiting installation
	€	€	€	€	€	€	€	€	€	€
Cost										
Balance at 01.01.07	4,308,332	3,171,486	-	769,427	67,640	-	39,043	121,183	119,320	20,233
Acquisitions	512,655	-	44,911	149,341	226,865	13,196	28,840	21,370	28,132	-
Disposals	(10,482)	-	-	(10,482)	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	20,233	-	(20,233)
Balance at 31.12.07	4,810,505	3,171,486	44,911	908,286	294,505	13,196	67,883	162,786	147,452	-
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	-
Depreciation										
Balance at 01.01.07	1,152,795	320,799	-	570,452	34,230	-	39,043	118,565	69,706	-
Depreciation charge for the year	251,393	75,017	4,491	104,645	24,211	2,639	5,768	9,171	25,451	-
Disposals	(10,482)	-	-	(10,482)	-	-	-	-	-	-
Balance at 31.12.07	1,393,706	395,816	4,491	664,615	58,441	2,639	44,811	127,736	95,157	-
Balance at 01.01.08	1,393,706	395,816	4,491	664,615	58,441	2,639	44,811	127,736	95,157	-
Depreciation 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	-
Carrying amounts										
At 1 January 2007	3,155,537	2,850,687	-	198,975	33,410	-	-	2,618	49,614	20,233
At 31 December 2007	3,416,799	2,775,670	40,420	243,671	236,064	10,557	23,072	35,050	52,295	-
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**	**-**

Notes to the Financial Statements
For the Year Ended 31 December 2008

13 Property, plant and equipment (continued)

13.1 (continued)

At 31 December 2008, the Group and the Company still used fully depreciated plant and equipment that had a gross carrying amount of €39,043 (2007: €39,043).

13.2 Buildings

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.

14 Investments in subsidiaries

14.1

	Capital subscribed €
At 1 January 2007	331,006
Acquisition	180,000
At 31 December 2007	511,006
At 1 January 2008	**511,006**
Acquisition	**11,647**
At 31 December 2008	**522,653**

14.2 Ownership interest

Significant Subsidiaries	**Country**	**2008 %**	2007 %	**Nature of business**
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**	60	Logistical support and other services

Notes to the Financial Statements
For the Year Ended 31 December 2008

15 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2008	2007	**2008**	2007	**2008**	2007
	€	€	**€**	€	**€**	€
The Group						
Property, plant and equipment	**28,562**	17,256	**-**	-	**28,562**	17,256
Provision for future gratuity payments	**8,965**	12,448	**-**	-	**8,965**	12,448
Impairment loss on receivables	**169,835**	79,998	**-**	-	**169,835**	79,998
Provision for exchange fluctuations	**-**	-	**(10,935)**	(128)	**(10,935)**	(128)
Investment tax credit	**3,821,380**	3,551,288	**-**	-	**3,821,380**	3,551,288
Unused tax losses and unabsorbed capital allowances	**-**	38,665	**-**	-	**-**	38,665
Tax liabilities/(assets)	**4,028,742**	3,699,655	**(10,935)**	(128)	**4,017,807**	3,699,527
Set off of tax	**(10,935)**	(128)	**10,935**	128	**-**	-
Net tax assets	**4,017,807**	3,699,527	**-**	-	**4,017,807**	3,699,527
The Company						
Unused tax losses	**-**	22,255	**-**	-	**-**	22,255

Notes to the Financial Statements
For the Year Ended 31 December 2008

15 Deferred tax assets and liabilities (continued)

15.2 Movement in temporary differences during the year - The Group

	Balance 01.01.07 €	Recognised in profit or loss €	Recognised in equity €	Balance 31.12.07 €
Property, plant and equipment	(2,348)	19,604	-	17,256
Provision for discounted future gratuity payments	2,012	10,436	-	12,448
Impairment loss on receivables	24,046	55,952	-	79,998
Provision for exchange differences	1,659	(1,787)	-	(128)
Fair value of available-for-sale investment	(382)	-	382	-
Investment tax credit	3,320,342	230,946	-	3,551,288
Unused tax loss and unabsorbed capital allowances	-	38,665	-	38,665
	3,345,329	353,816	382	3,699,527

	Balance 01.01.08 €	Recognised in profit or loss €	Recognised in equity €	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**

15.3 Movement in temporary differences during the year - The Company

The movement during the year under review in deferred tax asset and recognised fully in profit or loss amounted to €22,255. This movement relates to unused tax losses utilised by the Company.

15.4 Recognition of deferred tax asset on investment tax credits

A deferred tax asset of €3,821,380 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

16 Trade and other receivables

16.1

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade receivables	**5,751,077**	2,619,113	**-**	-
Amount due by subsidiary	**-**	-	**2,191,004**	1,692,073
Other receivables	**179,769**	145,073	**-**	-
Prepayments and accrued income	**268,289**	282,690	**17,583**	88,584
	6,199,135	3,046,876	**2,208,587**	1,780,657

16.2 Trade and other receivables are shown net of impairment losses amounting to €603,715 (2007: €603,715).

16.3 The balances due by the subsidiary are unsecured, interest free and repayable on demand. Transactions with related parties are set out in note 25 to these financial statements.

16.4 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	
	2008	2007
	No.	No.
On issue at 31 December - fully paid	**10,000,000**	10,000,000

At 31 December 2008, the authorised share capital comprised 20,000,000 ordinary shares (2007: 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

17 Capital and reserves (continued)

17.2 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

	Gain	Deferred Taxation	Net
	€	€	€
The Group			
Tax effect of investment tax credit	3,821,380	-	3,821,380
Provision for exchange fluctuations	31,243	(10,935)	20,308
	3,852,623	(10,935)	3,841,688

17.3 Availability of reserves for distribution

	The Group		**The Company**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Distributable	**757,064**	-	**392,856**	-
Non-distributable	**3,901,688**	3,524,604	**-**	-
	4,658,752	3,524,604	**392,856**	-

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 2008.

	The Group		**The Company**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Profit for the year attributable to shareholders	**1,134,148**	(5,057)	**484,483**	392,257
Weighted average number of shares in issue		10,000,000		
Earnings/(loss) per share	**11c3**	(0c05)	**4c8**	3c9

Notes to the Financial Statements
For the Year Ended 31 December 2008

19 Bank borrowings

		The Group	
		2008	2007
	Note	**€**	€
Non-current liabilities			
Secured bank loans		**888,891**	1,396,743
Current liabilities			
Current portion of secured bank loans		**509,298**	558,232
Bank overdraft	22	**574,631**	537,827
		1,083,929	1,096,059

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

19.2 Terms and debt repayment schedule

The Group has two bank loans, one amounting to €509,298 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
€509,298	4.5%	Monthly instalments of €50,244 inclusive of interest, repayable up to July 2011
€888,891	4.5%	To be repaid in full exclusive of interest by September 2011

The loans are secured as follows by a general hypothec for €2,329,373 over all assets present and future of the Group; a special hypothec for €2,329,373 over the temporary utile dominium expiring May 2045 on Medserv Site and buildings at Malta Freeport, Kalafrana; a guarantee that the Group shall not pay dividends to the Company in excess of 40% of its net profits after 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 €745,400. These facilities bear interest rate at 1.5% per annum over the European Base Rate issued by the European Central Bank and is secured by a general hypothec over the Group's assets present and future; a special hypothec over the emphyteutical property, situated at the Group's sites and buildings at the Malta Freeport Area in Kalafrana. At year end, the European Base Rate stood at 3% (2007: 4%) per annum.

Notes to the Financial Statements
For the Year Ended 31 December 2008

20 Provision for gratuity payments

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	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade payables	**4,206,123**	1,345,377	**12,782**	50,016
Amounts due to shareholders	**420,356**	3,098	**356**	3,098
Amounts due to other related party	**9,047**	-	**-**	-
Amounts due to directors	**83,693**	1,936	**-**	-
Non-trade payables and accrued expenses	**603,487**	444,725	**33,647**	26,350
Other payables	**147,776**	57,170	**-**	-
	5,470,482	1,852,306	**46,785**	79,464

21.2 Amounts due to shareholders are unsecured repayable on demand. Of the balance due at 31 December 2008, €420,000 bears an interest of 4.25%. The remaining balance is interest-free.

21.3 The amounts due to the other related party is unsecured, interest free and repayable on demand.

21.4 The amounts due to the directors are unsecured, bear interest at a rate of 4.25% per annum and repayable on demand.

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

21.6 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	
		2008	2007	**2008**	2007
	Note	**€**	€	**€**	€
Cash at bank and in hand		446,528	239,553	3,271	3,289
Bank overdraft	19	(574,631)	(537,827)	-	-
Cash and cash equivalents		(128,103)	(298,274)	3,271	3,289
Cash pledged as guarantees		(65,223)	(65,222)	-	-
		(193,326)	(363,496)	**3,271**	3,289

Notes to the Financial Statements
For the Year Ended 31 December 2008

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	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade receivables	**5,751,077**	2,619,113	**-**	-
Cash and cash equivalents	**446,528**	239,553	**3,271**	3,289
	6,197,605	2,858,666	**3,271**	3,289

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

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Domestic	**158,394**	170,310	**-**	-
EU countries	**1,085,979**	892,185	**-**	-
Libya	**2,970,286**	1,455,658	**-**	-
USA	**273,614**	-	**-**	-
Other	**1,262,804**	100,960	**-**	-
	5,751,077	2,619,113	**-**	**-**

Notes to the Financial Statements
For the Year Ended 31 December 2008

23 Financial instruments (continued)

23.1 Credit risk (continued)

23.1.2 Impairment losses

The aging of trade receivables at the reporting date was:

The Group	**Gross**	**Impairment**	Gross	Impairment
	2008	**2008**	2007	2007
	€	**€**	€	€
Not past due	**2,491,160**	**-**	503,133	-
Past due 0-30 days	**1,028,313**	**-**	584,412	-
Past due 31-120 days	**1,249,520**	**-**	1,046,906	-
More than 120 days	**1,467,265**	**485,181**	969,843	485,181
	6,236,258	**485,181**	3,104,294	485,181

The impairment loss at 31 December 2008 of €485,181 relates to customers who have had amounts due for a number of years. 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 no further impairment allowance is necessary.

Notes to the Financial Statements
For the Year Ended 31 December 2008

23 Financial instruments (continued)

23.2 Liquidity risk

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

The Group	Carrying Amount €	Contractual cash flows €	6 months or less €	6-12 months €	1-2 years €	2-5 years €
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)**	**-**
31 December 2007						
Financial liabilities						
Secured bank loans	(1,954,975)	(2,164,288)	(301,468)	(301,468)	(1,205,870)	(355,482)
Trade and other payables	(1,852,306)	(1,852,306)	(1,852,306)	-	-	-
Bank overdraft	(537,827)	(537,827)	(537,827)	-	-	-
	(4,345,108)	(4,554,421)	(2,691,601)	(301,468)	(1,205,870)	(355,482)

The Company	Carrying Amount €	Contractual cash flows €	6 mths or less €	6-12 months €	1-2 years €	2-5 years €
31 December 2008						
Financial liabilities						
Trade and other payables	**(46,785)**	**(46,785)**	**(46,785)**	**-**	**-**	**-**
31 December 2007						
Financial liabilities						
Trade and other payables	(79,464)	(79,464)	(79,464)	-	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2008

23 Financial instruments (continued)

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 2008			31 December 2007		
	USD	**GBP**	**LYD**	USD	GBP	LYD
Trade receivables	**1,421,627**	**-**	**2,445,691**	55,657	-	-
Trade payables	**(3,912,695)**	**(29,007)**	**(405,365)**	(172,096)	(24,779)	-
Gross balance sheet exposure	**(2,491,068)**	**(29,007)**	**2,040,326**	(116,439)	(24,779)	-
Estimated forecast sales	**2,955,197**	**-**	**4,347,900**	130,905	-	2,277,712
Estimated forecast purchases	**(2,350,000)**	**(70,000)**	**(3,860,935)**	-	(60,000)	(417,580)
Gross exposure	**605,197**	**(70,000)**	**486,965**	130,905	(60,000)	1,860,132
Net exposure	**(1,885,871)**	**(99,007)**	**2,527,291**	14,466	(84,779)	1,860,132

The Group's exposure to currency risks related to transactions in U.S. Dollar and Libyan Dinars are discussed in note 5.4.1.

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2008	2007	**2008**	2007
USD	**1.471**	1.371	**1.410**	1.473
GBP	**0.796**	0.685	**0.974**	0.738
LYD	**1.821**	1.772	**1.739**	1.825

Notes to the Financial Statements
For the Year Ended 31 December 2008

23 Financial instruments (continued)

23.3 Currency risk (continued)

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 2007.

	Profit or loss
	€
31 December 2008	
USD	**(32,418)**
GBP	**2,706**
LYD	**9,898**
31 December 2007	
USD	86,874
GBP	9,201
GBP	71,831

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	
	2008	2007
	€	€
Fixed rate instruments		
Financial assets	**77,662**	104,267
Financial liabilities	**(2,476,513)**	(2,494,738)
	(2,398,851)	(2,390,471)

Notes to the Financial Statements
For the Year Ended 31 December 2008

23 Financial instruments (continued)

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 2008**		31 December 2007	
	Carrying amount €	**Fair value €**	Carrying amount €	Fair value €
Trade and other receivables	**6,199,135**	**6,199,135**	3,046,877	3,046,877
Cash and cash equivalents	**446,528**	**446,528**	239,553	239,553
Secured bank loans	**(1,398,189)**	**(1,398,189)**	(1,954,975)	(1,954,975)
Trade and other payables	**(5,470,482)**	**(5,470,482)**	(1,852,306)	(1,852,306)
Bank overdraft	**(574,631)**	**(574,631)**	(537,827)	(537,827)
	(797,639)	**(797,639)**	(1,058,678)	(1,058,678)

The Company	**31 December 2008**		31 December 2007	
	Carrying amount €	**Fair value €**	Carrying amount €	Fair value €
Trade and other receivables	**2,208,587**	**2,208,587**	1,780,657	1,780,657
Cash and cash equivalents	**3,271**	**3,271**	3,289	3,289
Trade and other payables	**(46,785)**	**(46,785)**	(79,464)	(79,464)
	2,165,073	**2,165,073**	(1,704,482)	(1,704,482)

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

Notes to the Financial Statements
For the Year Ended 31 December 2008

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 €3,494 (2007: €8,153);
- Unquantified claims for damages submitted by employees of the Group, including a former managing director, which are being disputed by the Group;
- A claim for damages submitted by a third party, amounting to €17,883 (2007: €17,883), which is being disputed by the Group;
- An unquantified amount following a dispute by a third party against a subsidiary, which the Group 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 Related parties

25.1 Identity of related parties

The Group and the Company have a related party relationship with its subsidiaries (see note 14.2), its directors and a subsidiary's shareholder other than the Company ('other related party').

25.2 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 Diacono and Mr Anthony 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.

Notes to the Financial Statements
For the Year Ended 31 December 2008

25 Related parties (continued)

25.3 Other related party transactions

The following transactions were conducted during the year:

	The Company	
	2008	2007
	€	€
Subsidiaries		
Management fee receivable from	**307,701**	73,054
Payments of expenses on behalf of Company by	**549,776**	150,780
Recharge of expenses to Company by	**88,948**	-
Management fee on behalf of Company received by	**73,017**	-
Advances by	**20,452**	497,673
Dividend receivable	**810,000**	512,462
Dividend received	**-**	479,851

	The Group		The Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Shareholders				
Loan advanced by	**420,000**	-		-
Dividends paid to	**-**	359,888	**-**	359,888
Repayment of advances by	**-**	317,065	**-**	317,065
Interest charged by	**19,188**	-	**-**	-
Key management personnel				
Advances to	**11,079**	-	**-**	-
Payment of expenses on behalf of	**177,230**	220,401	**-**	-
Repayment of expenses on behalf of	**258,986**	221,996	**-**	-
Other related party				
Payment of expenses on behalf of	**58,028**	-	**-**	-
Repayment of expenses on behalf of	**48,981**	-	**-**	-

25.4 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.

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Independent Auditors' Report on the Financial Statements

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 (the "financial statements") as set out on pages 15 to 53, which comprise the balance sheets as at 31 December 2008 and the statements of changes in equity, income statements and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

As described on page 14, 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. 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 enacted in Malta (the "Act") and may not be appropriate for any other purpose.

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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2008, 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.

KPMG

Report on Other Legal and Regulatory Requirements

We also report to you our opinion as to whether the financial statements are properly prepared in accordance with the Act. In addition, we report to you if, in our opinion:

- the information given in the Directors' Report is not consistent with the financial statements; or
- the Company has not kept proper accounting records; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit, or if the information specified by Article 31(o) of the Third Schedule to the Act regarding any directors' emoluments is not disclosed, in which case we are required to include a statement in our report giving the required particulars.

We read the Directors' Report and consider the implications for our report if we become aware of any material misstatements of fact within it.

Opinion

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act, 1995 enacted in Malta.

Joseph C Schembri (Partner) for and on behalf of

KPMG
Registered Auditors

25 March 2009

Company Registration Number: C 28847