ANNUAL REPORT 2007

For the Year Ended 31 December 2007

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Chairman's Statement

The shortage of rigs to service the concessions awarded offshore North Africa which represents the main area of Group operations continued to have an adverse effect during 2007. The demand for oil and gas continued to expand despite record increases in prices, and this in turn translated itself into oil companies taking up options to extend drilling contracts on their existing concessions. This in turn led to rigs not being released in order for them to reach the Mediterranean in the latter quarter of 2007 as expected. However in spite of this in the latter half of 2007 Medserv provided services from Malta to a rig which has commenced operations offshore Libya and this service is continuing in the current year 2008. In addition materials to be used in contracts already signed by Medserv arrived in our base in Malta during the last months of 2007, thus providing additional activity.

The delay in delivery of rigs also affected our operation in Misurata. This commenced operations in July of 2007 but in spite of these delays the Group made a profit of Lm75,662 for the financial year ended 31 December 2007, thus contributing strongly to the consolidated results.

The above factors enabled the Group to improve its performance in the latter half of the year, so that a loss before tax of Lm227,422 at the half year stage improved to a loss of Lm123,352 at year end. After providing for deferred taxation the loss of Lm118,578 at the half year stage became a profit of Lm28,541 at year end.

During 2007, the Group secured 100% of the available business relating to offshore Libya drilling operations, and is awaiting arrival of the necessary rigs to commence the contracts it has already won. Subsequent to the year under review, further contracts have been awarded and negotiations are at an advanced stage which we hope will lead to further additional work. As a matter of fact, during 2008 further contracts have been awarded to the Group in Malta covering specialized business relating to drilling operations in Egypt and in Tunisia. The Group has been appointed sole agent for Libya covering the renting and handling of specialized containers for the Oil industry by one of the leading providers in this field.

The Board intends to use its assets and earning potential to the best advantage of the Group, and will continue to seek to expand the business. In order to succeed in this it is essential that the right infrastructure and personnel are in place and to this end a representative office has been opened in Tripoli to better service our existing clients and to market the Group. A new position of General Manager Libya has been filled through recruitment and as an addition to our existing staff, as has the post of Deputy Manager Health and Safety and the Environment. A new accounting package has been introduced to enable us to better handle an increased work load and staff training on this has been completed both in Malta and in Libya. Major refurbishment of our bulk plants has taken place and additional plant such as low loaders and specialized equipment to handle tubulars have been purchased.

As a result of all the above the Group continues to be well placed to service the oil industry offshore Libya and we look forward with confidence to fulfilling contracts already secured and those still being negotiated. In order to succeed it is not just a matter of being in the right place with the right equipment. Equally important is the enthusiasm and nature of the staff we employ at all levels, and we would never have been able to achieve the present position without this. My thanks goes to all of them.

Anthony Diacono
Chairman

27 March 2008

Directors' Report
For the Year Ended 31 December 2007

The directors present their report, together with the financial statements of Medserv p.l.c. (the "Company"), for the year ended 31 December 2007.

Board of directors

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

Principal Activities

The Company was formed to hold shares in Medserv Operations Limited, a subsidiary engaged in the provision of a comprehensive logistical support and service base for the onshore and offshore petro-chemical industry.

On 8 February 2007, the Company acquired majority shareholding in Medserv Misurata FZC, a company engaged in the provision of a comprehensive logistical support and service base for the onshore and offshore petro-chemical industry in Libya.

Review of business development and financial position

During the year, the Group incurred a loss before taxation of Lm123,352 and the Company achieved a profit before taxation amounting to Lm158,842. After accounting for taxation, the Group and the Company achieved a profit for the year amounting to Lm28,541 and Lm168,396, respectively.

As at 31 December 2007, the Group and the Company enjoyed a positive short term liquidity position of Lm155,196 and Lm731,734, respectively. Total assets of the Group and the Company exceed total liabilities as at 31 December 2007 by Lm2,595,344 and Lm960,663, respectively.

Dividends

An interim dividend of Lm206,000 was declared and paid by the Company during the year. No final dividend is being recommended.

Reserves

During the year, an amount of Lm76,471 for the Group, equivalent to the unrealised gains recognised during the year was transferred from retained earnings to other reserve in accordance with the requirements of the Companies Act, 1995.

Approved by the Board of Directors on 27 March 2008 and signed on its behalf by:

Anthony S Diacono	Anthony J Duncan
Director	Director

Port of Marsaxlokk, Birzebbugia BBG 07, Malta

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

Pursuant to Listing Rule 9.40.5, we, the undersigned declare that to the best of our knowledge, the consolidated financial statements set out on pages 20 to 57 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 27 March 2008 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 Rule 8.36 to 8.38 of the Listing Rules 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.

The Board of Directors of the Company (the "Board") 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, whilst retaining an element of flexibility, particularly in view of the size of the Company and the nature of its business. This structure is characterised by the structure of the Company's Board, which is composed of two Non-Executive Directors and two Executive Directors.

The Company set up an Audit Committee, currently composed of two Non-Executive Directors and one Executive Director of the Company. Further details of the Audit Committee, its composition and role are contained in this directors' statement on the Code.

The Board is composed of a balance of two Non-Executive Directors and two Executive Directors, a balance that is desirable under the Code. The presence of the executive directors on the board is designed to ensure that all the members of the Board, including non-executive directors, have 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.

On the other hand the Directors believe that certain other committees or boards that are suggested in the Code are not required by the Company. For instance it is the Board, rather than a Remuneration Committee, that determines the remuneration packages of the Company's Executive Directors and other Executives. The Board believes that due to the fact that the Board is composed of an equal number of Non-Executive Directors, the need to set up a separate Remuneration Committee, in the context of the small size of the Company does not exist. 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. Directors do not participate in discussions setting out their own remuneration. To comply with the recommendations 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 €116,469 (Lm50,000).

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 of the Company and all group operations and ensure the implementation of Board policies. In addition, the operations in Libya are headed by Mr Godfrey Attard. Mr Attard is responsible for the overall operations in Libya, reporting directly to the Chief Operating Officer in Malta. He is responsible for overseeing not only the operations of the present Libyan subsidiary but also to further develop the Group's presence in that country.

The Board is aware of its corporate social responsibilities in terms of the Code and seeks to adhere, as far as possible within the various constraints inherent in the Company, to its obligations set forth in the said principle.

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

Board of Directors

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 met seven times During the financial year under review the Board scheduled its meetings in advance for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the Chief Operating Officer and to the General Manager and the executive team and the Audit Committee which operate under their respective formal terms of reference. 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 may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

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. The Board, however, intends to undertake such evaluation process during the forthcoming financial year ending 31 December 2008.

Audit Committee

The Audit Committee has met six times in the financial year under review. The Audit Committee is currently composed of Mr Joseph F.X. Zahra (chairman of the committee and Non-Executive Director of the Company), and Mr Johannes Jacobus van Leeuwen (Non-Executive Director of the Company), and Mr Anthony J. Duncan, (Executive Director of the Company). 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.

Its principal role is the monitoring of internal systems and controls and risk management. During the course of the period under review the Board adopted terms of reference for the Audit Committee designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. Whilst the Audit Committee has the authority to summon any person to assist it in the performance of its duties, its permanent members remain the two Non-Executive Directors and the Executive Director. 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.

Senior Executive Management

Senior executive management is presently entrusted to the two Executive Directors and the Chief Operating Officer who reports to the two executive directors. The link between the executive management and the Board is attained through the presence in the Board of the two executive directors with full rights to attend and vote at such meetings.

The Company's senior executive management is appointed by the Executive Directors who also determine their terms of appointment and remuneration, within parameters established by the Board.

Each Director, through the Company's legal counsel, is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation.

Annual General Meeting

Business at the Company's Annual General Meeting (AGM) will cover the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, the election of Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration.

Apart from the AGM, the Company intends to communicate 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. Throughout the financial year under review, the board and the audit committee have put in place a risk monitoring plan taking into account the various levels of business risk associated with the Company and has appointed an internal risk manager, currently Mr Godwin Catania. Mr Catania is also responsible for the contracts and corporate affairs of the Company.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are to be monitored on a regular basis.

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, which are incorporated into a Company Strategic Plan. Performance against these plans is actively monitored and reported to the Board.

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

Corporate Social Responsibility

The Company understands its obligation towards society at large and has put in place a number of measures aimed at implementing such obligation. The Company has supported the local community through a donation to assist the underpriviledged. The Company is fully aware of its obligation to preserving the environment and has put in place a number of policies aimed at respecting the environment and to avoiding pollution.

The Company considers itself to be a good employer and promotes open communication, responsibility and personal development. The Company maintains a staff development program aimed at providing training to staff to assist their development. Through investing in its people and their professional growth, the Company believes that this will result in a positive result to both its shareholders and stakeholders.

The Directors consider that during the financial year under review the Company has put in place appropriate structures to comply with the principles and underlying spirit of the Code. However they shall keep the situation under regular review as appropriate.

Going Concern

The Directors, as required by Listing Rule 9.40.19 have considered the Company's operating performance, the balance sheet at year end, as well as their expectations for business during the coming year (refer to Chairman's Statement on page 1), and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements set out on pages 20 to 57.

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Independent Auditors' Report

To the Members of Medserv p.l.c.

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

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

27 March 2008

Shareholder Register Information

Pursuant to Listing Rule 9.40.11

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	3,750,000

There were no changes in the above shareholdings as at the 26 March 2008.

Pursuant to Listing Rule 9.40.12

Shareholders holding 5% or more of the equity share capital as at 31 December 2007:

Malampaya Investments Limited	37.50%
Anthony S Diacono	37.50%
Charts Investment Management Service Ltd (for the benefit of clients)	9.55%
HSBC Bank Malta p.l.c. (for the benefit of clients)	7.13%

There were no changes in shareholders holding 5% or more of the equity share capital as at the 26 March 2008.

Number of shareholders and shareholding details:

Range	No. of Shareholders 31 December 2007	No. of Shareholders 26 March 2008
1 - 1000	22	21
1001 - 5000	71	74
5001 and over	54	53

The total number of shareholders as at the 31 December 2007 was 147 and as at 26 March 2008, the total number thereof was 148. All shares in issue by the Company constitute one class of shares, each share being entitled to one vote at meetings of shareholders.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 8.14

Share capital structure

The Company's authorised share capital is four million six hundred fifty eight and seven hundred and forty thousand euro (€4,658,740) (Lm2,000,000) divided into twenty million ordinary shares of €0.232937 (Lm0.10) per share. The Company's issued share capital is two million three hundred twenty nine thousand and three hundred and seventy thousand euro (€2,329,370) (Lm1,000,000) divided into ten million ordinary shares of €0.232937 (Lm0.10) per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves. The following are highlights of the rights attaching to the shares:

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

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

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

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

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

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

Mandatory takeover bids: Chapter 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

Holdings in excess of 5% of the share capital

On the basis of the information available to the Company as at the 31 December 2007 and 26 March 2008:

Malampaya Investments Limited held 3,750,000 shares;
Anthony S Diacono held 3,750,000 shares;
Charts Investment Management Service Ltd (for the benefit of clients) held 955,000 shares; and
HSBC Bank Malta p.l.c. (for the benefit of clients) held 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.

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 as follows:

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

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

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

(b) For the purpose of enabling Members to make nominations in accordance with the provisions of paragraph (a)(i), the Company shall grant a period of at least fourteen (14) days to Members to nominate candidates for appointment as Directors. Such notice may be given by the publication of an advertisement in at least two (2) daily newspapers. All such nominations shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the Office not later than fourteen (14) days after the publication of the said notice. Nominations to be made by the Directors or any sub-committee of the Directors appointed for that purpose shall also be made by not later than the date established for the closure of nominations to Members pursuant to this paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

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.

Pursuant to Listing Rule 9.40.6

Previously published forecast for 2007

The Board notes that the results for the year ended 31 December 2007 differ from those reported in the Prospectus dated 29 September 2006, as set out below:

	Results for the Year	Published forecasts	Variance
	Lm000	Lm000	Lm000
Revenue	1,997	4,850	(2,853)
Cost of sales	(1,412)	(3,389)	1,977
Gross profit	585	1,461	(876)
Administrative and other expenses	(669)	(606)	(63)
Operating profit before finance costs	(84)	855	(939)
Net finance expense	(39)	(45)	6
(Loss) profit before tax	(123)	810	(933)
Tax income	152	83	69
Profit for the year	29	893	(864)

The variance arising with respect to the figures reported above is largely due to the delays in the commencement of the increased activity which is to take place in the oil industry offshore Libya. This, as is mentioned in the Chairman's Statement, was and to an extent still is due to the release from their existing contracts of exploration rigs which are the essential component of exploration and drilling offshore. A further factor has been the demand for steel from India and from China which has led to a severe shortage of material with which to build new rigs and other heavy equipment used in the oil industry. However during the latter half of the year activity increased with the arrival of an exploration rig to which the Group provided and is still providing logistic services from Malta. The Group's financial stability remains sound and well able to sustain the slowdown in operations which is now coming to an end.

Pursuant to Listing Rule 9.40.18

Related party transactions

Reference is made to note 27 of the financial statements of the Company 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 9.40.20

Company Secretary and Registered Office

Dr Louis de Gabriele LL.D.
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Signed on behalf of the Board of Directors on 27 March 2008 by:

Anthony S Diacono
Director

Anthony J Duncan
Director

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 explained in note 2.1 to the financial statements.

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 2007

	Note	The Group		The Company	
		2007	2006	**2007**	2006
	Note	**Lm**	Lm	**Lm**	Lm
ASSETS					
Property, plant and equipment	13	**1,466,832**	1,354,672	**-**	-
Investments in subsidiaries	14	**-**	-	**219,375**	142,101
Other investments	15	**-**	3,287	**-**	-
Deferred tax assets	16	**1,588,207**	1,436,150	**9,554**	-
Total non-current assets		**3,055,039**	2,794,109	**228,929**	142,101
Current tax asset		**10,066**	10,066	**-**	-
Trade and other receivables	17	**1,308,024**	1,067,120	**764,436**	996,213
Cash at bank and in hand		**102,840**	214,271	**1,412**	82
Total current assets		**1,420,930**	1,291,457	**765,848**	996,295
Total assets		**4,475,969**	4,085,566	**994,777**	1,138,396
EQUITY					
Share capital		**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves		**1,513,115**	1,439,763	**-**	-
(Accumulated losses) retained earnings		**-**	284,642	**(39,337)**	(1,733)
Total equity attributable to equity holders of the Company		**2,513,115**	2,724,405	**960,663**	998,267
Minority interest		**82,229**	-	**-**	-
Total equity	18	**2,595,344**	2,724,405	**960,663**	998,267
LIABILITIES					
Interest-bearing borrowings	20	**599,622**	635,203	**-**	-
Provisions	21	**15,270**	17,287	**-**	-
Total non-current liabilities		**614,892**	652,490	**-**	-
Interest-bearing borrowings	20	**470,538**	166,393	**-**	-
Trade and other payables	22	**795,195**	542,278	**34,114**	140,129
Total current liabilities		**1,265,733**	708,671	**34,114**	140,129
Total liabilities		**1,880,625**	1,361,161	**34,114**	140,129
Total equity and liabilities		**4,475,969**	4,085,566	**994,777**	1,138,396

The notes on pages 26 to 57 are an integral part of these financial statements.

The financial statements on pages 20 to 57 were approved by the Board of Directors on 27 March 2008 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 2007

	Attributable to equity holders of the Company						
	Share capital	Fair value reserve	Other reserve	Retained earnings/ (accumulated losses)	Total	Minority interest	Total equity
	Lm	Lm	Lm	Lm	Lm	Lm	Lm
Balance at 1 January 2006	1,020	3,119	1,281,409	1,482,862	2,768,410	-	2,768,410
Profit for the year	-	-	-	655,995	655,995	-	655,995
Transfer from retained earnings:							
Unrealised gain recognised	-	-	155,235	(155,235)	-	-	-
Issue of shares in lieu of dividends	998,980	-	-	(998,980)	-	-	-
Interim dividend	-	-	-	(700,000)	(700,000)	-	(700,000)
Balance at 31 December 2006	1,000,000	3,119	1,436,644	284,642	2,724,405	-	2,724,405
Balance at 1 January 2007	**1,000,000**	**3,119**	**1,436,644**	**284,642**	**2,724,405**	**-**	**2,724,405**
Issue of shares to minority	**-**	**-**	**-**	**-**	**-**	**51,517**	**51,517**
Profit for the year	**-**	**-**	**-**	**28,541**	**28,541**	**-**	**28,541**
Profit attributable to minority	**-**	**-**	**-**	**(30,712)**	**(30,712)**	**30,712**	**-**
Disposal of available-for-sale investment*	**-**	**(3,283)**	**-**	**-**	**(3,283)**	**-**	**(3,283)**
Reversal of deferred tax thereon *	**-**	**164**	**-**	**-**	**164**	**-**	**164**
Transfer from retained earnings:							
Unrealised gain recognised	**-**	**-**	**76,471**	**(76,471)**	**-**	**-**	**-**
Interim dividend	**-**	**-**	**-**	**(206,000)**	**(206,000)**	**-**	**(206,000)**
Balance at 31 December 2007	**1,000,000**	**-**	**1,513,115**	**-**	**2,513,115**	**82,229**	**2,595,344**

* Net income recognised directly in equity.

The notes on pages 26 to 57 are an integral part of these financial statements.

Statement of Changes in Equity – The Company
For the Year Ended 31 December 2007

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	Lm	Lm	Lm
Balance at 1 January 2006	1,020	3,467	4,487
Profit for the year	-	1,693,780	1,693,780
Issue of shares in lieu of dividends	998,980	(998,980)	-
Interim dividend	-	(700,000)	(700,000)
Balance at 31 December 2006	1,000,000	(1,733)	998,267
Balance at 1 January 2007	**1,000,000**	**(1,733)**	**998,267**
Profit for the year	**-**	**168,396**	**168,396**
Interim dividend	**-**	**(206,000)**	**(206,000)**
Balance at 31 December 2007	**1,000,000**	**(39,337)**	**960,663**

The notes on pages 26 to 57 are an integral part of these financial statements.

Income Statement
For the Year Ended 31 December 2007

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	**Lm**	Lm	**Lm**	Lm
CONTINUING OPERATIONS					
Revenue	7	**1,996,469**	2,932,013	**251,362**	1,698,980
Cost of sales		**(1,411,705)**	(1,925,898)	**(53,348)**	-
Gross profit		**584,764**	1,006,115	**198,014**	1,698,980
Other income	8	**5,321**	83,787	**-**	-
Administrative expenses	9	**(658,027)**	(568,148)	**(39,172)**	(5,200)
Other expenses	9	**(16,272)**	(3,220)	**-**	-
Results from operating activities		**(84,214)**	518,534	**158,842**	1,693,780
Finance income	11	**19,073**	25,288	**-**	-
Finance expenses	11	**(58,211)**	(28,534)	**-**	-
Net finance expense	11	**(39,138)**	(3,246)	**-**	-
(Loss) profit before income tax		**(123,352)**	515,288	**158,842**	1,693,780
Tax income	12	**151,893**	140,707	**9,554**	-
Profit for the year		**28,541**	655,995	**168,396**	1,693,780
Attributable to:					
Equity holders of the Company		**(2,172)**	655,995	**168,396**	1,693,780
Minority interest		**30,713**	-	**-**	-
Profit for the year		**28,541**	655,995	**168,396**	1,693,780
Earnings per share					
Basic earnings per share	19	**0c29**	6c56	**1c68**	16c94

The notes on pages 26 to 57 are an integral part of these financial statements.

Cash Flow Statement
For the Year Ended 31 December 2007

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	**Lm**	Lm	**Lm**	Lm
Cash flows from operating activities					
Profit for the year		**28,541**	655,995	**168,396**	1,693,780
Adjustments for:					
Depreciation		**107,783**	78,166	**-**	-
Dividends receivable		**-**	-	**(220,000)**	(1,698,980)
Tax income	12	**(151,893)**	(140,707)	**(9,554)**	-
Profit on disposal of machinery		**(1,000)**	-	**-**	-
Impairment loss (reversal of impairment loss) on trade receivables		**1,850**	(55,711)	**-**	-
Provision for exchange fluctuations		**(17,116)**	(14,768)	**-**	-
Inventory written off		**-**	183	**-**	-
Interest payable	11	**58,211**	26,045	**-**	-
Interest receivable	11	**(2,940)**	(25,288)	**-**	-
		23,436	523,915	**(61,158)**	(5,200)
Change in trade and other receivables		**(243,215)**	545,872	**(32,613)**	-
Change in trade and other payables		**363,345**	(510,821)	**28,786**	(2,700)
Change in related undertakings balances		**-**	-	**64,739**	7,893
Change in shareholders' balances		**-**	-	**1,330**	-
Change in directors' balances		**(95,400)**	-	**-**	-
Cash generated from (absorbed by) operating activities		**48,166**	558,966	**1,084**	(7)
Interest paid		**(862)**	(15,960)	**-**	-
Termination benefits paid		**(2,017)**	-	**-**	-
Dividends received		-	-	**206,000**	700,000
Net cash from operating activities		**45,287**	543,006	**207,084**	699,993
Cash flows from investing activities					
Acquisition of subsidiary		**-**	-	**(77,289)**	-
Acquisition of property, plant and equipment	13	**(94,415)**	(113,271)	**-**	-
Receipt from disposal of machinery		**1,000**	-	**-**	-
Interest received		**1,122**	-	**-**	-
Payments by a subsidiary on behalf of directors		**-**	(40,862)	**-**	-
Payments by Company on behalf of shareholders		**-**	(80,000)	**-**	-
Payments by Company on behalf of other related undertaking		**(90,129)**	-	**-**	-
Advances by a subsidiary to directors		**-**	(127,215)	**-**	-
Repayment of payments on behalf of directors		**95,303**	39,738	**-**	-
Repayment of amounts advanced to shareholders		**-**	80,000	**-**	-
Repayment of amounts advanced to directors		**-**	127,215	-	-
Net cash used in investing activities		**(87,119)**	(114,395)	**(77,289)**	-
balance carried forward		**(41,832)**	428,611	**129,795**	699,993

The notes on pages 26 to 57 are an integral part of these financial statements.

Cash Flow Statement
For the Year Ended 31 December 2007

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	**Lm**	Lm	**Lm**	Lm
balance brought forward		**(41,832)**	428,611	**129,795**	699,993
Cash flows from financing activities					
Loan advanced by bank		**198,340**	801,596	**-**	-
Loan repayments		**(160,665)**	-	**-**	-
Proceeds from issue of share capital		**51,517**	-	**-**	-
Repayment of amounts advanced by shareholders		**(136,116)**	(635,000)	**(136,116)**	-
Interest paid on bank loan		**(60,460)**	-	**-**	-
Interest paid on shareholder's loan		**-**	(15,938)	**-**	-
Advances by shareholders		**-**	285,000	**-**	-
Advances by subsidiary		**-**	-	**213,651**	-
Dividends paid		**(206,000)**	(700,000)	**(206,000)**	(700,000)
Net cash used in financing activities		**(313,384)**	(264,342)	**(128,465)**	(700,000)
Net (decrease) increase in cash and cash equivalents		**(355,216)**	164,269	**1,330**	(7)
Cash and cash equivalents at 1 January		**186,271**	52,491	**82**	89
Effect of exchange rate fluctuations on cash held		**12,896**	(2,489)	**-**	-
Movement in cash pledged as guarantee		**-**	(28,000)	**-**	-
Cash and cash equivalents at 31 December	23	**(156,049)**	186,271	**1,412**	82

The notes on pages 26 to 57 are an integral part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2007

1 Reporting company

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 2007 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is involved in the provision of a comprehensive logistical support and service base for the onshore and offshore petro-chemical industry

2 Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements (the "financial statements") have been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta (the "Act"), which requires adherence to International Financial Reporting Standards (IFRSs). In the case of the Group, Article 4 of Regulation 1606/2002/EC ("the Regulation") requires that, for each financial year starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRSs as adopted by the EU (the "EU-endorsed IFRSs") if, at their balance sheet date, their securities are admitted to trading on a regulated market of an EU Member State.

The Regulation overrides the provisions of the Act, relating to the form and content of the financial statements (and in particular the Third and Fourth Schedules of the Act) of companies as described above.

EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ("IASB") if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2007, there were no unendorsed standards effective for the year ended 31 December 2007 affecting these consolidated and separate financial statements, and there is no difference between IFRSs as endorsed by the EU and IFRSs as issued by the IASB in terms of their application to the Group.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for an available-for-sale investment measured at fair value.

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Maltese Lira, which is the Company's functional currency.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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 16 - 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.

3.3 Financial instruments

3.3.1 Non-derivative financial instruments

Non-derivative financial instruments comprise an available-for-sale investment, 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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

3.3.1.1 Available-for-sale financial asset

The Group's investment in equity security is classified as an available-for-sale financial asset. Subsequent to initial recognition, it is measured at fair value and changes therein, other than impairment losses (see note 3.5) and foreign exchange gains and losses on available-for-sale monetary items (see note 3.2) are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

3.3.1.2 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.

3.3.1.3 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 2007

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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

3.6 Investment in subsidiary

Investment in subsidiary is shown in the balance sheet of the Company at cost less any impairment loss (see accounting policy 3.5).

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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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 (see accounting policy 3.2).

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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

3.17 New standards not yet adopted

A number of new standards are not effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements, revised in 2003 and as amended in 2005, 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. 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. It is expected that revised IAS 1 will impact the Group's financial statements in the separate presentation of all non-owner changes and in the presentation of dividends distributable to owners.

- IAS 27 Consolidated and Separate Financial Statements, revised in 2003 and as amended in 2008, requires the presentation of non-controlled interest in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. Amended IAS 27, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the consolidated financial statements.

4 Determination of fair vales

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.

4.3 Investment in equity securities

The fair value of available-for-sale financial asset is determined by reference to its quoted bid price at the reporting date.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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 Goup, 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 large customers operating within the oil and gas industry. These customers operate huge budgets and should therefore have sufficient funds to meet their obligations towards the 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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

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 Lm320,000 overdraft facility that is secured. Interest is payable at the Central Bank's Intervention 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.

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) and Sterling (GBP).

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.

Notes to the Financial Statements
For the Year Ended 31 December 2007

6 Segment reporting

6.1 Geographical segments

During the current year, the Group commenced operations in Libya, through its subsidiary Medserv Misurata FZC.

Further to the above 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 comprise 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 comprise 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.

6.3 Geographical segments

	Malta operation		**Libya operation**		**Eliminations**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm	**Lm**	Lm	Lm	Lm
External revenues	**1,682,848**	2,932,013	**313,621**	-	**-**	-	**1,996,469**	2,932,013
Inter-segment revenue	**31,362**	-	**-**	-	**(31,362)**	-	**-**	-
Total revenue	**1,714,210**	2,932,013	**313,621**	-	**(31,362)**	-	**1,996,469**	2,932,013
External operating costs	**(1,788,494)**	(2,335,313)	**(184,266)**	-	**-**	-	**(1,972,760)**	(2,335,313)
Inter-segment operating costs	**-**	-	**(31,362)**	-	**31,362**	-	**-**	-
Depreciation	**(85,592)**	(78,166)	**(22,331)**	-	**-**	-	**(107,923)**	(78,166)
Total segment costs	**(1,874,086)**	(2,413,479)	**(237,959)**	-	**31,362**	-	**(2,080,683)**	(2,413,479)
Segment result from operating activities	**(159,876)**	518,534	**75,662**	-	**-**	-	**(84,214)**	518,534
Finance income							**19,073**	25,288
Finance expenses							**(58,211)**	(28,534)
Tax income							**151,893**	140,707
Profit for the year							**28,541**	655,995

Notes to the Financial Statements
For the Year Ended 31 December 2007

6.3 Geographical segments *(continued)*

	Malta operation		Libya operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm	**Lm**	Lm
Segment assets	**2,324,651**	2,636,063	**553,044**	-	**2,877,695**	2,636,063
Unallocated assets	**1,598,274**	1,449,503	**-**	-	**1,598,274**	1,449,503
Total assets	**3,922,925**	4,085,566	**553,044**	-	**4,475,969**	4,085,566
Segment liabilities	**590,780**	559,565	**219,685**	-	**810,465**	559,565
Unallocated liabilities	**1,070,160**	801,596	**-**	-	**1,070,160**	801,596
Total liabilities	**1,660,940**	1,361,161	**219,685**	-	**1,880,625**	1,361,161
Capital expenditure	**23,018**	113,271	**197,065**	-	**220,083**	113,271
Depreciation	**85,592**	78,166	**22,331**	-	**107,923**	78,166

7 Revenue

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

7.1 Geographical markets

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Malta	**1,682,847**	2,932,013	**220,000**	1,698,980
Libya	**313,622**	-	**31,362**	-
	1,996,469	2,932,013	**251,362**	1,698,980

7.2 Category of activity

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Logistical support and other services	**1,996,469**	2,932,013	**-**	-
Management fee	**-**	-	**31,362**	-
Dividends receivable from subsidiary	**-**	-	**220,000**	1,698,980
	1,996,469	2,932,013	**251,362**	1,698,980

Notes to the Financial Statements
For the Year Ended 31 December 2007

8 Other income

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Unrealised operating exchange gains	**4,221**	17,257	**-**	-
Unclaimed liabilities written back	**100**	6,907	**-**	-
Profit on disposal of machinery	**1,000**	-	**-**	-
Other unclaimed credits	**-**	3,911	**-**	-
Reversal of impairment loss on trade receivables	**-**	55,712	**-**	-
	5,321	83,787	**-**	-

9 Administrative and other expenses

9.1 Administrative expenses include auditors' remuneration incurred by the Group amounting to Lm11,885.

9.2 Other expenses

	The Group	
	2007	2006
	Lm	Lm
Realised operating exchange losses	**14,422**	2,872
Impairment loss on trade receivables	**1,850**	-
Insurance claim	**-**	165
Inventory write-off	**-**	183
	16,272	3,220

Notes to the Financial Statements
For the Year Ended 31 December 2007

10 Personnel expenses

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

	The Group	
	2007	2006
	Lm	Lm
Directors' emoluments:		
Remuneration	**40,000**	25,333
Fees	**10,000**	1,666
	50,000	26,999
Wages and salaries	**264,664**	368,815
Social Security contributions	**23,693**	28,156
	338,357	423,970

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

	The Group	
	2007	2006
	No.	No.
Operating	**20**	26
Management and administration	**22**	14
	42	40

11 Finance income and expenses

	The Group	
	2007	2006
	Lm	Lm
Other interest receivable	**-**	25,288
Non-operating exchange differences	**12,894**	-
Profit on disposal of investment	**3,239**	-
Interest income	**2,940**	-
Finance income	**19,073**	25,288
Interest payable on bank loan	**54,327**	14,955
Other bank interest payable	**3,884**	-
Interest payable on loan by shareholder	**-**	11,090
Non-operating exchange differences	**-**	2,489
Finance expenses	**58,211**	28,534
Net finance expense	**(39,138)**	(3,246)

Notes to the Financial Statements
For the Year Ended 31 December 2007

12 Income tax

12.1 Recognised in the income statement

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Deferred tax income				
Net deferred tax income relating to the origination and reversal of temporary differences	**151,893**	140,707	**9,554**	-

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

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Profit/(Loss) before tax	**(123,352)**	515,288	**158,842**	1,693,780
Income tax using the domestic income tax rate	**43,173**	(180,351)	**(55,595)**	(592,822)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(1,556)**	(470)	**-**	-
Business Promotion Act investment tax credit	**99,145**	167,202	**-**	-
Disallowed expenses	**(12,063)**	(1,821)	**(11,851)**	(1,821)
Exempt dividends receivable	**-**	-	**77,000**	594,643
Exempt income from foreign operations	**26,875**	-	**-**	-
Difference in tax rate on Business Promotion Act qualifying activities	**(45,537)**	156,147	**-**	-
Difference in future tax rates	**35,604**	-	**-**	-
Other exempt income	**3,012**	-	**-**	-
Adjustment to prior years' deferred tax asset	**3,240**	-	**-**	-
	151,893	140,707	**9,554**	-

The applicable tax rate is the statutory local income tax rate of 35%. The results from operations in Libya are not subject to tax (see note 12.3).

Notes to the Financial Statements
For the Year Ended 31 December 2007

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 Deferred tax recognised directly in equity.

	The Group	
	2007	2006
	Lm	Lm
Deferred tax expense relating to available-for-sale equity securities	**164**	**(164)**

Notes to the Financial Statements – The Group
For the Year Ended 31 December 2007

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
	Lm	Lm	Lm	Lm	Lm	Lm	Lm	Lm	Lm	Lm
Cost										
Balance at 01.01.06	1,736,296	1,339,422	-	275,863	24,357	-	16,761	50,619	29,274	-
Acquisitions	113,271	22,097	-	54,452	4,681	-	-	1,405	21,950	8,686
Balance at 31.12.06	1,849,567	1,361,519	-	330,315	29,038	-	16,761	52,024	51,224	8,686
Balance at 01.01.07	1,849,567	1,361,519	-	330,315	29,038	-	16,761	52,024	51,224	8,686
Acquisitions	220,083	-	19,281	64,112	97,393	5,665	12,381	9,175	12,077	-
Disposals	(4,500)	-	-	(4,500)	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	8,686	-	(8,686)
Balance at 31.12.07	2,065,150	1,361,519	19,281	389,927	126,431	5,665	29,142	69,884	63,301	-
Depreciation										
Balance at 01.01.06	416,729	105,501	-	208,986	12,961	-	16,761	50,410	22,110	-
Depreciation charge for the year	78,166	32,218	-	35,909	1,734	-	-	490	7,815	-
Balance at 31.12.06	494,895	137,719	-	244,895	14,695	-	16,761	50,900	29,925	-
Balance at 01.01.07	494,895	137,719	-	244,895	14,695	-	16,761	50,900	29,925	-
Depreciation charge for the year	107,923	32,205	1,928	44,924	10,394	1,133	2,476	3,937	10,926	-
Disposals	(4,500)	-	-	(4,500)	-	-	-	-	-	-
Balance at 31.12.07	598,318	169,924	1,928	285,319	25,089	1,133	19,237	54,837	40,851	-
Carrying amounts										
At 1 January 2006	1,319,567	1,233,921	-	66,877	11,396	-	-	209	7,164	-
At 31 December 2006	1,354,672	1,223,800	-	85,420	14,343	-	-	1,124	21,299	8,686
At 1 January 2007	**1,354,672**	**1,223,800**	**-**	**85,420**	**14,343**	**-**	**-**	**1,124**	**21,299**	**8,686**
At 31 December 2007	**1,466,832**	**1,191,595**	**17,353**	**104,608**	**101,342**	**4,533**	**9,904**	**15,047**	**22,450**	**-**

Notes to the Financial Statements
For the Year Ended 31 December 2007

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
	Lm
At 1 January 2006	142,101
At 31 December 2006	142,101
At 1 January 2007	**142,101**
Acquisition	**77,274**
At 31 December 2007	**219,375**

14.2 Ownership interest

Subsidiaries	**Country**	**2007** %	2006 %	**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**	-	Logistical support and other services

15 Other investments

	The Group	
	2007	2006
	Lm	Lm
Non-current investment		
Equity securities available-for-sale	**-**	3,287

This investment, which represented 189 ordinary shares of USD 0.01 each in Global SanteFe Corporation, was disposed of during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2007

16 Deferred tax assets and liabilities

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

	The Group					
	Assets		Liabilities		Net	
	2007	2006	**2007**	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm	**Lm**	Lm
Property, plant & equipment	**7,408**	-	**-**	(1,008)	**7,408**	(1,008)
Provision for future gratuity payments	**5,344**	864	**-**	-	**5,344**	864
Impairment loss on receivables	**34,343**	10,323	**-**	-	**34,343**	10,323
Provision for exchange fluctuations	**-**	712	**(55)**	-	**(55)**	712
Fair value of available-for-sale investment	**-**	-	**-**	(164)	**-**	(164)
Investment tax credit	**1,524,568**	1,425,423	**-**	-	**1,524,568**	1,425,423
Unused tax losses and unabsorbed capital allowances	**16,599**	-	**-**	-	**16,599**	-
Tax liabilities (assets)	**1,588,262**	1,437,322	**(55)**	(1,172)	**1,588,207**	1,436,150
Set off of tax	**(55)**	(1,172)	**55**	1,172	**-**	-
Net tax assets	**1,588,207**	1,436,150	**-**	-	**1,588,207**	1,436,150

Notes to the Financial Statements
For the Year Ended 31 December 2007

16.2 Movement in temporary differences during the year - The Group

	Balance 01.01.06	Recognised in profit or loss	Recognised in equity	Balance 31.12.06
	Lm	Lm	Lm	Lm
Property, plant and equipment	(1,202)	192	-	(1,008)
Provision for discounted future gratuity payments	864	-	-	864
Impairment loss on receivables	13,109	(2,786)	-	10,323
Provision for exchange differences	1,431	(719)	-	712
Fair value of available-for-sale investment	(164)	-	-	(164)
Investment tax credit	1,281,403	144,020	-	1,425,423
	1,295,441	140,707	-	1,436,150

	Balance 01.01.07	Recognised in profit or loss	Recognised in equity	Balance 31.12.07
	Lm	Lm	Lm	Lm
Property, plant and equipment	(1,008)	8,417	-	7,408
Provision for discounted future gratuity payments	864	4,480	-	5,344
Impairment loss on receivables	10,323	24,020	-	34,343
Provision for exchange differences	712	(767)	-	(55)
Fair value of available-for-sale investment	(164)	-	164	-
Investment tax credit	1,425,423	99,145	-	1,524,568
Unused tax loss and unabsorbed capital allowances	-	16,599	-	16,599
	1,436,150	**151,893**	**164**	**1,588,207**

16.3 Recognition of deferred tax asset on investment tax credits

Notwithstanding the loss sustained during the year under review by the Group entity running the local operation, a deferred tax asset amounting to Lm1,524,568 representing the full tax value of investment tax credits as at 31 December 2007 has been recognised in the financial statements. The loss for the current year by this Group entity has been attributed to the shortage of rigs required to service concessions awarded to oil companies operating offshore North Africa. An increasing demand for oil and gas, and signs of an increased activity in the last quarter of 2007 and beginning of 2008 have confirmed the directors' belief that the operations of the existing client base of the Group entity operating in Malta have been merely postponed to future periods and that the Group will have sufficient taxable profits arising from the Malta operation in the future against which this deferred tax asset can be utilised.

Notes to the Financial Statements
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17 Trade and other receivables

17.1

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Trade receivables	**1,124,385**	929,150	**-**	-
Amount due by subsidiary	**-**	-	**726,407**	990,797
Other receivables	**62,280**	80,607	**-**	-
Prepayments and accrued income	**121,359**	57,363	**38,029**	5,416
	1,308,024	1,067,120	**764,436**	996,213

17.2 Trade and other receivables are shown net of impairment losses amounting to Lm259,175 (2006: Lm257,325).

17.3 The balances due by subsidiary are secured, interest free and repayable on demand. Transactions with related parties are set out in note 27 to these financial statements.

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

18 Capital and reserves

18.1 Share capital

	Group and Company Ordinary shares	
	2007	2006
	No.	No.
On issue at 1 January – of par value Lm1 each	**10,000,000**	1,020
Conversion of Lm1 shares to Lm0.10 shares	**-**	9,180
Issue of shares in lieu of dividends	**-**	9,989,800
On issue at 31 December - fully paid	**10,000,000**	10,000,000

At 31 December 2007, the authorised share capital comprised 20,000,000 ordinary shares (2006: 20,000,000). All shares have a par value of Lm0.10. 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 2007

18.2 Fair value reserve

The fair value reserve included the cumulative net change in the fair value of an available-for-sale investment held by a subsidiary, net of related tax effects. This reserve was non-distributable.

18.3 Other reserve

The other reserve is not distributable and comprises transfers of amounts equivalent to unrealised gains in accordance with the requirements of the Companies Act, 1995.

At 31 December 2007 the balance of other reserve comprised the tax value of investment tax credits amounting to Lm1,513,115.

18.4 Availability of reserves for distribution

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Distributable	**-**	284,642	**-**	-
Non-distributable	**1,513,115**	1,439,763	**-**	-
	1,513,115	1,724,405	**-**	-

19 Earnings per share

The calculation of earnings per share of the Group and the Company is based on the profit attributable to shareholders of the Company as shown in the income statement, divided by the number of shares in issue as at 31 December 2007.

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Profit for the year attributable to shareholders	**28,541**	655,995	**168,396**	1,693,780
Weighted average number of shares in issue		10,000,000		
Earnings per share	**0c29**	6c56	**1c68**	16c94

Notes to the Financial Statements
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20 Bank borrowings

		The Group	
		2007	2006
	Note	**Lm**	Lm
Non-current liabilities			
Secured bank loans		**599,622**	635,203
Current liabilities			
Current portion of secured bank loans		**239,649**	166,393
Bank overdraft	23	**230,889**	-
		470,538	166,393

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

20.2 Terms and debt repayment schedule

In the previous year, the Group was granted a bank loan of Lm1 million of which the Group utilised Lm801,600. The loan has been divided into two loans, one denominated in Maltese Lira amounting to Lm420,000 and another denominated in Euro amounting to Lm381,600. During the current year, a further Lm198,340 was utilised by the Group.

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

	Interest rate	Repayable by
Bank Loan (Lm part)	5.75%	Monthly instalments of Lm21,570 inclusive of interest, repayable up to July 2011
Bank Loan (EUR part)	5.60%	To be repaid in full exclusive of interest by September 2011

The loans are secured by a general hypothec for Lm1,000,000 over all assets present and future of the Group; a special hypothec for Lm1,000,000 over the temporary utile dominium expiring May 2045 on Medserv Site and buildings at Malta Freeport, Kalafrana; a guarantee that a subsidiary shall not pay dividends in excess of 40% of its net profits after tax, not to pay dividends beyond the amount of Lm650,000 without the bank's prior consent and a guarantee given by the executive directors.

Furthermore, the Group enjoys general overdraft facilities of Lm320,000. These facilities bear interest rate at 1.5% per annum over the Central Intervention Rate issued by the Central Bank of Malta 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 Central Intervention Rate stood at 4% (2006: 3.75%) per annum.

At 31 December 2007, the Group had unutilised bank overdraft facilities of Lm93,788 (2006: Lm320,000).

Notes to the Financial Statements
For the Year Ended 31 December 2007

21 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.

22 Trade and other payables

22.1

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Trade payables	**556,103**	299,235	**21,472**	2,124
Amounts due to shareholders	**-**	136,116	**1,330**	136,116
Amounts due to subsidiary	**-**	-	**-**	-
Amounts due to directors	**831**	1,220	**-**	-
Non-trade payables and accrued expenses	**190,916**	79,985	**11,312**	1,889
Other payables	**47,345**	25,722	**-**	-
	795,195	542,278	**34,114**	140,129

22.2 Amounts due to shareholders are unsecured, interest free and repayable on demand.

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

22.4 Transactions with related parties are set out in note 27 to these financial statements.

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

23 Cash and cash equivalents

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	**Lm**	Lm	**Lm**	Lm
Cash at bank and in hand		**102,840**	214,271	**1,412**	82
Bank overdraft	20	**(230,889)**	-	**-**	-
Cash and cash equivalents		**(128,049)**	214,271	**1,412**	82
Cash pledged as guarantees		**(28,000)**	(28,000)	**-**	-
		(156,049)	186,271	**1,412**	82

Notes to the Financial Statements
For the Year Ended 31 December 2007

24 Financial instruments

24.1 Credit risk

24.1.1 Exposure to credit risk

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

Carrying amount	**The Group**		**The Company**	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Available-for-sale financial asset	**-**	3,287	**-**	-
Trade and other receivables	**1,308,024**	1,067,120	**764,436**	996,213
Cash and cash equivalents	**102,840**	214,271	**1,412**	82
	1,410,864	1,284,618	**765,848**	996,295

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

	The Group		**The Company**	
Carrying amount	**2007**	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Domestic	**73,114**	181,557	**-**	-
EU countries	**383,015**	227,057	**-**	-
Libya	**624,914**	281,790	**-**	-
Other	**43,342**	238,746	**-**	-
	1,124,385	929,150	**-**	-

Notes to the Financial Statements
For the Year Ended 31 December 2007

24.1.2 Impairment losses

The aging of trade receivables at the reporting date was:

	The Group		The Group	
	Gross	**Impairment**	Gross	Impairment
	2007	**2007**	2006	2006
	Lm	**Lm**	Lm	Lm
Not past due	**215,995**	**-**	75,562	-
Past due 0-30 days	**250,888**	**-**	332,313	-
Past due 31-120 days	**449,437**	**-**	223,569	-
More than 120 days	**416,353**	**208,288**	504,144	206,438
	1,332,673	**208,288**	1,135,588	206,438

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

	The Group	
	2007	2006
	Lm	Lm
Balance at 1 January	**206,438**	262,177
Impairment loss recognised	**1,850**	(55,739)
Balance at 31 December	**208,288**	206,438

The impairment loss at 31 December 2007 of Lm208,288 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 2007

24.2 Liquidity risk

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

	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
The Group	Lm	Lm	Lm	Lm	Lm	Lm
31 December 2007						
Financial liabilities						
Secured bank loans	**(839,271)**	**(929,129)**	**(129,420)**	**(129,420)**	**(517,680)**	**(152,609)**
Trade and other payables	**(795,195)**	**(795,195)**	**(795,195)**	**-**	**-**	**-**
Bank overdraft	**(230,889)**	**(230,889)**	**(230,889)**	**-**	**-**	**-**
	(1,865,355)	**(1,955,213)**	**(1,155,504)**	**(129,420)**	**(517,680)**	**(152,609)**
31 December 2006						
Financial liabilities						
Secured bank loans	(801,596)	(888,448)	(46,400)	(139,200)	(556,800)	(146,048)
Trade and other payables	(542,278)	(542,278)	(542,278)	-	-	-
	(1,343,874)	(1,430,726)	(588,678)	(139,200)	(556,800)	(146,048)

	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
The Company	Lm	Lm	Lm	Lm	Lm	Lm
31 December 2007						
Financial liabilities						
Trade and other payables	**(34,114)**	**(34,114)**	**(34,114)**	**-**	**-**	**-**
31 December 2006						
Financial liabilities						
Trade and other payables	(140,129)	(140,129)	(140,129)	-	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2007

24.3.1 Exposure to currency risk

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

	The Group 31 December 2007			The Group 31 December 2006	
	USD	**GBP**	**LYD**	USD	GBP
Trade receivables	**55,657**	**-**	**-**	4,292	-
Trade payables	**(172,096)**	**(24,779)**	**(405,365)**	(4,044)	(17,965)
Gross balance sheet exposure	**(116,439)**	**(24,779)**	**(405,365)**	248	(17,965)
Estimated forecast sales	**130,905**	**-**	**2,277,712**	307,500	-
Estimated forecast purchases	**-**	**(60,000)**	**(417,580)**	-	(60,000)
Gross exposure	**130,905**	**(60,000)**	**1,860,132**	307,500	(60,000)
Net exposure	**14,466**	**(84,779)**	**1,454,767**	307,748	(77,965)

As at year-end, the Group had a substantial amount of trade receivables and payables denominated in Euro notional amounts. Since the Maltese Lira was pegged with the Euro at 0.4293 over the period 2 May 2005 to 31 December 2007, transactions in Euro do not expose the Group to currency risk and are therefore not included in the above analysis. The Group's exposure to currency risks related to transactions in Libyan Dinars are discussed in note 5.4.1.

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2007	2006	**2007**	2006
USD	**3.203**	2.935	**3.435**	3.075
GBP	**1.594**	1.599	**1.719**	1.571
LYD	**4.137**	3.641	**4.258**	3.755

Notes to the Financial Statements
For the Year Ended 31 December 2007

24.3.2 Sensitivity analysis

A 10 percent strengthening of the Maltese Lira 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 2006.

	Profit or loss
	Lm
31 December 2007	
USD	**37,295**
GBP	**3,950**
LYD	**30,906**
31 December 2006	
USD	(73)
GBP	28,273

A 10 percent weakening of the Maltese Lira against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24.4 Interest rate risk

24.4.1 Profile

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

	Carrying amount	
	2007	2006
	Lm	Lm
Fixed rate instruments		
Financial assets	**49,096**	214,189
Financial liabilities	**(839,271)**	(801,596)
	(790,175)	(587,407)

Notes to the Financial Statements
For the Year Ended 31 December 2007

24.5 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		The Group	
	31 December 2007		**31 December 2006**	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	Lm	**Lm**	Lm	Lm
Available-for-sale financial assets	**-**	**-**	3,287	3,287
Trade and other receivables	**1,308,024**	**1,308,024**	1,067,120	1,067,120
Cash and cash equivalents	**102,840**	**102,840**	214,271	214,271
Secured bank loans	**(839,271)**	**(839,271)**	(801,596)	(801,596)
Trade and other payables	**(795,195)**	**(795,195)**	(542,278)	(542,278)
Bank overdraft	**(230,889)**	**(230,889)**	-	-
	(454,491)	**(454,491)**	(59,196)	(59,196)

	The Group		The Group	
	31 December 2007		**31 December 2006**	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	Lm	**Lm**	Lm	Lm
Trade and other receivables	**764,436**	**764,436**	996,213	996,213
Cash and cash equivalents	**1,412**	**1,412**	82	82
Trade and other payables	**(34,114)**	**(34,114)**	(140,219)	(140,219)
	(731,734)	**(731,734)**	856,076	856,076

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

Notes to the Financial Statements
For the Year Ended 31 December 2007

25 Capital commitments

	The Group	
	2007	2006
	Lm	Lm
Contracted for:		
Property, plant and equipment	**91,801**	-
Furniture, fixtures and fittings	**41,558**	
	133,359	-

The commitments are expected to be settled in the following financial year.

Authorised but not contracted for:		
Property, plant and equipment	**70,873**	-
Furniture, fixtures and fittings	**12,879**	-
Office equipment	**725**	-
	84,477	-

26 Contingencies

26.1 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 Lm3,500 (2006: Lm3,500);
- 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 Lm7,677 (2006: Lm7,200), 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.

26.2 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 undertaking by the same individual.

Notes to the Financial Statements
For the Year Ended 31 December 2007

27 Related parties

27.1 Identity of related parties

The Group and the Company have a related party relationship with its subsidiaries (see note 14.2), and with its directors.

27.2 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.

27.3 Other related party transactions

The following transactions were conducted during the year:

	The Company	
	2007	2006
	Lm	Lm
Subsidiaries		
Management fee receivable from	**31,362**	-
Payments of expenses on behalf of Company by	**64,730**	7,903
Advances by	**213,651**	-
Dividend receivable	**220,000**	1,698,980
Dividend received	**206,000**	700,000

	The Group		The Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Shareholders				
Dividends paid to	**154,500**	700,000	**154,500**	700,000
Interest charged by	**-**	11,090	**-**	-
Repayment of advances by	**136,116**	635,000	**136,116**	-
Repayment of interest charged	**-**	27,028	**-**	-
Key management personnel				
Advances to	**-**	127,215	**-**	-
Repayment of advances to	**-**	127,215	**-**	-
Payment of expenses on behalf of	**94,618**	40,862	**-**	-
Repayment of expenses on behalf of	**95,303**	39,738	**-**	-

27.4 Related party balances

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

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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 20 to 57, which comprise the balance sheets as at 31 December 2007 and the income statements, statements of changes in equity 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 19, the directors are responsible for the preparation and fair presentation of these financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and of the Company in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 misstatements.

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 as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- give a true and fair view of the financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's separate financial statements are not in agreement with the accounting records and returns; 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 and insurance premiums paid for the Company's officers covering any liability incurred by them in defending any proceedings in which judgement is given in their favour or in which they are acquitted 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

27 March 2008

Company Registration Number: C 28847