

CareMalta Finance p.l.c.

C 30123

Report and financial statements

31 December 2006

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CareMalta Finance p.l.c.

Directors, officer and other information

Directors: Nazzareno Vassallo (Chairman)
Alexander Tranter
Richard Clough

Secretary: Stephen Borg

Registered office: Villa Messina,
St. Dominic's Square,
Rabat,
Malta.

Country of incorporation: Malta

*Company registration
number:* C 30123

Auditors: Deloitte & Touche,
1, Col. Savona Street,
Sliema,
Malta.

Bankers: Bank of Valletta p.l.c.,
Labour Avenue,
Naxxar,
Malta.

Legal advisers: Dr. Aldo Vella LL.D.,
52, St Christopher Street,
Valletta,
Malta.

CareMalta Finance p.l.c.

Directors' report

Year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006.

Principal activities

The company acts principally as a finance and investment company in connection with the ownership, construction and development, operation and financing of old people's homes and the provision of healthcare services.

Performance review

During the year under review the company reported a profit before taxation of *Lm4,521* compared to a profit of *Lm4,148* reported during the previous financial year. At the balance sheet date the company reported net assets of *Lm103,116*.

Result and dividend

The result for the year ended 31 December 2006 is shown in the income statement on page seven. The profit for the year after taxation was *Lm1,289*.

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period were:

Nazzareno Vassallo (Chairman)
Alexander Tranter
Richard Clough

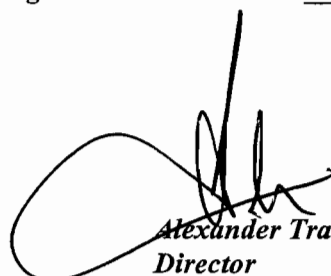
In accordance with the company's articles of association all the directors are to remain in office.

Auditors

A resolution to reappoint Deloitte & Touche as auditors of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 20 JULY
2007 by:


Nazzareno Vassallo
Chairman


Alexander Tranter
Director

CareMalta Finance p.l.c.

Statement of directors' responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards which give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss of the company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CareMalta Finance p.l.c.

Corporate governance – statement of compliance

1. Introduction

Pursuant to Listing Authority Listing Rule 8.26, issued by the Malta Financial Services Authority, CareMalta Finance p.l.c. is hereby reporting on the extent of its adoption of the “Code of Principles of Good Corporate Governance” (the Code) appended to Chapter 8 of the Listing Rules.

CareMalta Finance p.l.c. was admitted to the Official Company List of the Malta Stock Exchange on the 8th November, 2002 with a total of 38,000 bonds of *Lm100* each. All the Ordinary Share Capital remains in the hands of the original promoters of the company.

2. Board of directors

The company’s memorandum and articles of association provide that the board of directors shall consist of not less than three and not more than five directors. The directors are appointed by shareholders who hold not less than 25% of the issued share capital whether individually or in conjunction with other shareholders, and in accordance with the Malta Stock Exchange regulations, at least one of the directors so appointed should be a person unconnected with the Vassallo Builders Group Limited the ultimate parent company. As at the date of this statement the members of the board, one of whom Richard Clough, is unconnected with the ultimate parent company, are as follows:

Nazzareno Vassallo
Alexander Tranter
Richard Clough

Meetings of the board are held as frequently as is considered necessary. The board members are notified of the forthcoming meetings by the company secretary with the issue of an agenda and supporting documents as necessary.

The board is responsible for the company’s strategy and decisions with respect to the issue and redemption of its bonds and for ensuring that its operations are in conformity with its Prospectus and all relevant laws and regulations. The board is also responsible for ensuring that the company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

The board has delegated authority and accountability for the company’s day-to-day operations to its Chief Executive Officer, who is an employee of CareMalta Limited.

CareMalta Finance p.l.c.

Corporate governance – statement of compliance

3. Internal control

This function is carried out by the management of the Vassallo Builders Group of companies, who are responsible to ensure appropriate controls and procedures are in place to safeguard all of the group's assets and ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the group and to ensure compliance with all relevant laws and regulations.

4. Remuneration committee


In view of the fact that there are no charges for directors' remuneration incurred by the company, the board has not considered it necessary to appoint a remuneration committee.

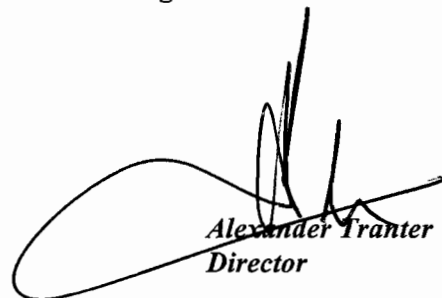
5. Relations with bondholders and the market

Periodically the company communicates with its shareholders through periodic mail shots and has meetings with institutional investors and stock brokers to keep them informed of company developments and other matters pertaining to care services provided by related companies.

The board has established a policy to ensure that proper procedures are followed by company directors in respect of the purchase and sale of the bonds issued by the company. The purchases or sales made by these individuals are regularly monitored to ensure that these procedures are complied with.

Approved by the board of directors and signed on its behalf on
20 JULY 2007 by:


Nazareno Vassallo
Chairman


Alexander Tranter
Director

Independent auditor's report to CareMalta Finance p.l.c. on corporate governance matters

Pursuant to the Listing Authority Listing Rule 8.26 issued by the Malta Financial Services Authority, the directors are required 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 and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 8.28 which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages four and five has been properly prepared in accordance with the requirements of Listing Rule 8.26.



Paul Darmanin

DELOITTE & TOUCHE
Certified Public Accountants

20 JULY 2007

CareMalta Finance p.l.c.

Income statement

Year ended 31 December 2006

	<i>Notes</i>	2006 Lm	2005 Lm
Interest receivable	4	256,500	256,500
Interest payable	5	(247,167)	(247,000)
		<hr/>	<hr/>
Net interest receivable		9,333	9,500
Administrative expenses		(4,812)	(5,352)
		<hr/>	<hr/>
Profit before tax	6	4,521	4,148
Income tax expense	7	(3,232)	(3,290)
		<hr/>	<hr/>
Profit for the year		1,289	858
		<hr/> <hr/>	<hr/> <hr/>

CareMalta Finance p.l.c.

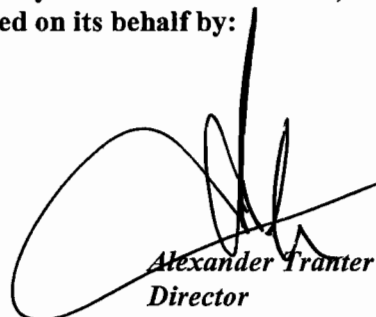
Balance sheet

31 December 2006

	<i>Notes</i>	2006 Lm	2005 Lm
ASSETS AND LIABILITIES			
Non-current assets			
Loan to parent undertaking	8	3,800,000	3,800,000
Current assets			
Trade and other receivables	9	138,262	132,612
Cash and cash equivalents		2,754	3,324
Current tax assets		932	772
		141,948	136,708
Total assets		3,941,948	3,936,708
Current liabilities			
Trade and other payables	10	38,832	34,881
Non-current liabilities			
Other financial liabilities	11	3,800,000	3,800,000
Total liabilities		3,838,832	3,834,881
Net assets		103,116	101,827
EQUITY			
Share capital	12	100,000	100,000
Retained earnings		3,116	1,827
Total equity		103,116	101,827

These financial statements were approved by the board of directors, authorised for issue on 20 JULY 2007 and signed on its behalf by:


Nazareno Vassallo
Chairman


Alexander Tranter
Director

CareMalta Finance p.l.c.

Statement of changes in equity

Year ended 31 December 2006

	Share capital Lm	Retained earnings Lm	Total Lm
Balance at 1 January 2005	100,000	969	100,969
Profit for the year	-	858	858
Balance at 1 January 2006	100,000	1,827	101,827
Profit for the year	-	1,289	1,289
Balance at 31 December 2006	100,000	3,116	103,116

CareMalta Finance p.l.c.

Cash flow statement

Year ended 31 December 2006

	<i>Notes</i>	2006 Lm	2005 Lm
Cash flows from operating activities			
Operating profit before working capital movements		4,521	4,148
Movement in trade and other receivables		(5,650)	6,216
Movement in trade and other payables		3,951	(4,086)
		<hr/>	<hr/>
Cash flows from operations		2,822	6,278
Income taxes paid		(3,392)	(7,454)
		<hr/>	<hr/>
<i>Net cash flows from operating activities</i>		(570)	(1,176)
		<hr/>	<hr/>
Net movement in cash and cash equivalents		(570)	(1,176)
Cash and cash equivalents at the beginning of the year		3,324	4,500
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	13	<u>2,754</u>	<u>3,324</u>

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

1. Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are set out below.

2. Significant accounting policies

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Investments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

2. Significant accounting policies (continued)

Financial instruments (continued)

(iii) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(iv) Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value

(v) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Impairment

All assets are tested for impairment.

At each balance sheet date, the carrying amount of assets, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

Impairment losses are recognised immediately in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss.

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

2. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Borrowing costs

Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Taxation

Current tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and at the balance sheet date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

4. Interest receivable

	2006 Lm	2005 Lm
On loan to parent undertaking	<u>256,500</u>	<u>256,500</u>

5. Interest payable

	2006 Lm	2005 Lm
On interest bearing borrowings	<u>247,167</u>	<u>247,000</u>

6. Profit before tax

	2006 Lm	2005 Lm
<i>This is stated after charging:</i> Auditors' remuneration	<u>650</u>	<u>650</u>

7. Income tax expense

	2006 Lm	2005 Lm
Current tax expense	<u>3,232</u>	<u>3,290</u>

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	2006 Lm	2005 Lm
Profit before tax	<u>4,521</u>	<u>4,148</u>
Tax at the applicable rate of 35%	1,582	1,452
<i>Tax effect of:</i> Disallowable expenses	<u>1,650</u>	<u>1,838</u>
	<u>3,232</u>	<u>3,290</u>

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

8. Financial assets

Loans and receivables

	Loan to parent Lm
Amortised cost	
At 01.01.2006/31.12.2006	<u>3,800,000</u>

The terms and conditions of the loan to parent undertaking are disclosed in note 14. This loan represents the proceeds from the bond issue, transferred to the parent company in accordance with the prospectus issued, bears interest at 6.75% and is repayable between 2008 – 2011.

9. Trade and other receivables

	2006 Lm	2005 Lm
Amounts owed by parent undertaking	135,862	130,212
Amounts owed by group undertaking	2,400	2,400
	<u>138,262</u>	<u>132,612</u>

The terms and conditions of the amounts owed by the parent and group undertakings are disclosed in note 14. Though these amounts have no fixed date for repayment, they are expected to be realised within twelve months

10. Trade and other payables

	2006 Lm	2005 Lm
Other payables	4,333	1,898
Accruals and deferred income	34,499	32,983
	<u>38,832</u>	<u>34,881</u>

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

11. Other financial liabilities

	2006 Lm	2005 Lm
38,000, 6.5% bonds of Lm100 each 2008/11	<u>3,800,000</u>	<u>3,800,000</u>

Directors' interests in the Company as at 31 December 2006:

Mr. Nazzareno Vassallo - 630 bonds of Lm100 each

On 8 November 2002 the company issued 38,000, 6.5% bonds of Lm100 each redeemable at par between 2008 and 2011, for the purpose of funding the Group's further expansion of its business to meet the anticipated increase in demand for residential elderly care in the short to medium term. Interest on the bonds is due and payable annually in arrears on 15 November of each year at the rate of 6.5% per annum. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by Caremalta Group Limited.

12. Share capital

	2006 and 2005	
	Authorised Lm	Issued and called up Lm
100,000 shares of Lm1 each (all of which have been issued and called up)	<u>100,000</u>	<u>100,000</u>

13. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

	2006 Lm	2005 Lm
Cash at bank and on hand	<u>2,754</u>	<u>3,324</u>

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

14. Related party disclosure

The parent and ultimate parent companies of CareMalta Finance p.l.c. are CareMalta Group Limited and Vassallo Builders Group Limited respectively.

The directors consider the ultimate controlling party to be Mr. Nazzareno Vassallo, who holds all of the issued 'A' shares of the ultimate parent company which constitute the only class of shares that confer the right to appoint the board of directors.

The individual financial statements of the company are incorporated in the group financial statements of Vassallo Builders Group Limited, the registered address of which is "The Three Arches", Valletta Road, Mosta, Malta.

During the course of the year, the company entered into transactions with related parties which are related through common shareholders and directors.

The related party transactions in question were:

	Related party activity Lm	2006 Total activity Lm	%	Related party activity Lm	2005 Total activity Lm	%
Interest receivable:						
<i>Related party transactions with:</i>						
Parent	<u>256,500</u>	<u>256,500</u>	<u>100</u>	<u>256,500</u>	<u>256,500</u>	<u>100</u>

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties.

The amounts due to and from related parties at year-end are disclosed in notes 8 and 9. The terms and conditions do not specify the nature of the consideration to be provided in settlement. Except as disclosed in note 11 no guarantees have been given or received.

15. Fair values of financial assets and financial liabilities

At 31 December 2006 and 2005 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

CareMalta Finance p.l.c.

Notes to the financial statements

31 December 2006

16. Financial risk management

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk consist principally of receivables, investments and cash at bank. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures and the large number of customers comprising the company's debtor base. Quoted investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

Independent auditor's report to the members of

CareMalta Finance p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of CareMalta Finance p.l.c. set out on pages seven to eighteen, which comprise the balance sheet of the company as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As also described in the statement of directors' responsibilities on page three, the directors of the company are responsible for the preparation and fair presentation of these financial statements 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the 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 internal control of the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report (continued)

to the members of

CareMalta Finance p.l.c.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31 December 2006 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386).



Paul Darmanin

DELOITTE & TOUCHE
Certified Public Accountants

20 JULY 2007