



## COMPANY ANNOUNCEMENT

Medserv p.l.c.

### Approval of financial statements

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Date of Announcement:	22 March 2016
Reference:	134/2016

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The following is a Company Announcement issued by Medserv p.l.c., the “**Company**”, in compliance with Listing Rules 5.16.4, 5.16.20 and 5.54.

#### QUOTE

The Board of Directors of the Company has today approved the audited consolidated financial statements for the financial year ended 31 December 2015. The Board resolved that these audited consolidated financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting scheduled for 30 May 2016. Shareholders on the Company’s Register at the Central Securities Depository of the Malta Stock Exchange as at close of business on 30 April 2016 will receive notice of the Annual General Meeting together with a copy of the Annual Report and Financial Statements. A preliminary statement of annual results is being attached herewith in terms of the Listing Rules. The Audited Financial Statements will be available for viewing on the Company’s website at [www.medservenergy.com](http://www.medservenergy.com) as from today.

In the last Annual General Meeting held on 28 May 2015, the shareholders approved a final cash dividend payment of €1,400,000. In December 2015, the Company paid an interim dividend of €4,000,000 which was distributed in the form of bonus shares and cash in equal proportions. No final dividend is being recommended due to the substantial expansion program. The Directors continue to maintain a strong but responsible dividend policy.

#### UNQUOTE

Signed:

A handwritten signature in blue ink, appearing to read "Laragh Cassar".

**Laragh Cassar**  
*Company Secretary*



<b>Consolidated statement of financial position</b>	<b>2015</b>	<b>2014</b>
	€	€
<b>Assets</b>		
Property, plant and equipment	24,048,115	23,341,986
Prepaid operating lease	34,123,472	34,899,006
Deferred tax assets	3,503,852	4,062,971
<b>Total non-current assets</b>	<b>61,675,439</b>	<b>62,303,963</b>
Prepaid operating lease	775,533	775,533
Derivative financial assets	1,176,437	-
Trade and other receivables	16,476,804	16,641,205
Cash at bank and in hand	1,036,816	1,115,693
<b>Total current assets</b>	<b>19,465,590</b>	<b>18,532,431</b>
<b>Total assets</b>	<b>81,141,029</b>	<b>80,836,394</b>
<b>Equity</b>		
Share capital	4,500,000	2,500,000
Reserves	5,295,885	4,352,864
Retained earnings	1,314,532	2,362,960
<b>Equity attributable to owners of the Company</b>	<b>11,110,417</b>	<b>9,215,824</b>
<b>Non-controlling interest</b>	<b>11,883</b>	<b>257,096</b>
<b>Total equity</b>	<b>11,122,300</b>	<b>9,472,920</b>
<b>Liabilities</b>		
Deferred income	34,123,472	34,899,006
Loans and borrowings	22,404,045	21,137,818
Provisions	31,073	29,581
Deferred tax liabilities	161,272	47,004
<b>Total non-current liabilities</b>	<b>56,719,862</b>	<b>56,113,409</b>
Current tax payable	287,112	141,952
Deferred income	775,533	775,533
Loans and borrowings	3,788,455	4,880,499
Trade and other payables	8,447,767	9,452,081
<b>Total current liabilities</b>	<b>13,298,867</b>	<b>15,250,065</b>
<b>Total liabilities</b>	<b>70,018,729</b>	<b>71,363,474</b>
<b>Total equity and liabilities</b>	<b>81,141,029</b>	<b>80,836,394</b>

This report has been extracted from the audited financial statements of the Group which were approved by the Board of Directors on 22 March 2016.



### Consolidated statement of Profit or Loss and other comprehensive income

	2015	2014
	€	Restated €
Revenue	42,196,304	32,207,230
Cost of sales	(29,762,920)	(24,696,231)
<b>Gross profit</b>	<b>12,433,384</b>	<b>7,510,999</b>
Other income	564,459	231,210
Administrative expenses	(5,366,123)	(3,524,252)
Other expenses	(110,870)	(1,809)
<b>Results from operating activities</b>	<b>7,520,850</b>	<b>4,216,148</b>
Finance income	3,466	2,335
Finance costs	(1,507,827)	(1,079,457)
<b>Net finance costs</b>	<b>(1,504,361)</b>	<b>(1,077,122)</b>
<b>Profit before income tax</b>	<b>6,016,489</b>	<b>3,139,026</b>
Tax expense	(1,306,184)	(858,118)
<b>Profit from continuing operations</b>	<b>4,710,305</b>	<b>2,280,908</b>
<b>DISCONTINUED OPERATION</b>		
Loss from discontinued operation net of tax	(218,528)	(95,011)
<b>Profit for the year</b>	<b>4,491,777</b>	<b>2,185,897</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges – effective portion of changes in fair value	1,176,437	-
<b>Other comprehensive income</b>	<b>1,176,437</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>5,668,214</b>	<b>2,185,897</b>
<b>Profit attributable to</b>		
Owners of the Company	4,118,156	1,936,620
Non-controlling interests	373,621	249,277
	4,491,777	2,185,897
<b>Total comprehensive income attributable to</b>		
Owners of the Company	5,294,593	1,936,620
Non-controlling interests	373,621	249,277
	5,668,214	2,185,897
<b>Earnings per share</b>	<b>9c2</b>	<b>4c3</b>



### Consolidated statement of changes in equity

	Attributable to owners of the Company							
	Share capital	Legal reserve	Hedging reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€
Balance at 1 January 2014	2,500,000	60,000	-	4,546,761	772,443	7,879,204	277,819	8,157,023
<b>Total comprehensive income</b>								
Profit	-	-	-	-	1,936,620	1,936,620	249,277	2,185,897
<b>Distributions to owners</b>								
Dividends	-	-	-	-	(600,000)	(600,000)	(270,000)	(870,000)
Transfers	-	-	-	(253,897)	253,897	-	-	-
Balance at 31 December 2014	2,500,000	60,000	-	4,292,864	2,362,960	9,215,824	257,096	9,472,920
Balance at 1 January 2015	2,500,000	60,000	-	4,292,864	2,362,960	9,215,824	257,096	9,472,920
<b>Total comprehensive income</b>								
Profit	-	-	-	-	4,118,156	4,118,156	373,621	4,491,777
Other comprehensive income	-	-	1,176,437	-	-	1,176,437	-	1,176,437
<b>Total comprehensive income</b>	-	-	1,176,437	-	4,118,156	5,294,593	373,621	5,668,214
<b>Distributions to owners</b>								
Dividends	-	-	-	-	(3,400,000)	(3,400,000)	(360,000)	(3,760,000)
Bonus issue	2,000,000	-	-	-	(2,000,000)	-	-	-
<b>Total Distributions</b>	2,000,000	-	-	-	(5,400,000)	(3,400,000)	(360,000)	(3,760,000)
Transfers	-	(60,000)	-	(173,416)	233,416	-	-	-
<b>Changes in ownership interests</b>								
Disposal of subsidiary with non-controlling interest	-	-	-	-	-	-	(258,834)	(258,834)
<b>Balance at 31 December 2015</b>	<b>4,500,000</b>	<b>-</b>	<b>1,176,437</b>	<b>4,119,448</b>	<b>1,314,532</b>	<b>11,110,417</b>	<b>11,883</b>	<b>11,122,300</b>



**Medserv p.l.c.**  
**Preliminary Statement of Group Annual Results**

**For the Year Ended 31 December 2015**

<b>Consolidated statement of cash flows</b>	2015	2014
	€	€
<b>Cash flows from operating activities</b>		
Profit for the year	4,491,777	2,185,897
Adjustments for:		
Depreciation	2,650,153	1,661,765
Tax expense	1,306,184	858,118
Reversal of impairment loss on trade receivables	(13,745)	(8,230)
Exchange differences	(25,874)	(1,288)
Provision for / (reversal) of discounted future gratuity payments	1,492	(7,503)
Gain on sale of property, plant and equipment	(7,875)	(10,200)
Loss on disposal of subsidiary	218,528	-
Net finance costs	1,504,361	1,077,122
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	<b>10,125,001</b>	5,755,681
Change in trade and other receivables	2,401,673	(14,447,303)
Change in trade and other payables	(3,181,446)	6,056,024
Change in related party balances	-	(1,808)
Change in shareholders' balances	-	(4,246)
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Cash generated from / (absorbed by) operating activities	9,345,228	(2,641,652)
Interest paid	(119,637)	(25,572)
Interest received	-	2,372
Tax paid	(400,611)	(143,881)
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<b>Net cash from / (used in) operating activities</b>	<b>8,824,980</b>	<b>(2,808,733)</b>
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<b>Cash flows from investing activities</b>		
Advance payments on investments	(2,727,273)	-
Acquisition of property, plant and equipment	(3,818,824)	(13,431,154)
Receipts from disposal of investment	141,408	-
Receipts from disposal of assets	49,208	10,200
Interest received	49,294	-
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<b>Net cash used in investing activities</b>	<b>(6,306,187)</b>	<b>(13,420,954)</b>
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<b>Cash flow from financing activities</b>		
Loan advanced by bank	3,847,818	1,267,673
(Repayment of) / loan advanced by non-controlling interest	(627,447)	1,300,000
Repayments of bank loans	(1,289,788)	(65,255)
Interest paid on bank loans	(99,218)	(3,147)
Interest paid to related parties	-	(34,372)
Issue of notes	-	7,105,000
Issue costs	-	(190,693)
Interest paid on notes	(1,140,272)	(836,981)
Dividends paid to non-controlling interest	-	(90,000)
Dividends paid to owners of the Company	(2,007,050)	(595,092)
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<b>Net cash (used in) / from financing activities</b>	<b>(1,315,957)</b>	<b>7,857,133</b>
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<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,202,836</b>	<b>(8,372,554)</b>
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Cash and cash equivalents at 1 January	(2,687,609)	5,644,488
Effect of exchange rate fluctuations on cash held	-	1,957
Effect of disposal of subsidiary	(166,981)	-
Cash pledged as guarantee released	-	38,500
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<b>Cash and cash equivalents at 31 December</b>	<b>(1,651,754)</b>	<b>(2,687,609)</b>
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## Review of group operations

### Introduction

This Statement is published pursuant to the Malta Financial Services Authority Listing Rules Chapter 5 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.

The financial information has been extracted from Medserv p.l.c.'s Annual Report and Consolidated Financial Statements for the year ended 31 December 2015 as approved by the Board of Directors on 22 March 2016, which have been audited by KPMG. These financial statements will be laid before the members at the Annual General Meeting to be held on 30 May 2016.

The Group's financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act, 1995.

### Review of performance

Revenue for year 2015 amounted to €42.2 million (2014: €32.2 million). This represents an increase of €10.0 million compared to 2014. The significant revenue growth of 31% over the previous year is attributable to the increase in the volume and portfolio of logistics services being provided to the oil majors and their sub-contractors throughout their drilling programs.

The Group's operating profit before depreciation amounted to €10,171,003 (2014: €5,877,913). After charging depreciation amounting to €2,650,153 (2014: €1,661,765), net finance costs amounting to €1,504,361 (€1,077,122), the Group registered a profit before tax of €6,016,489 (2014: €3,139,026). This result represents an increase of 92% over previous year and 38% over forecast. Profit after accounting for taxation and loss from discontinued operation amounted to €4,491,777 (2014: €2,185,897). The Group's results for the year are stated after deducting costs of €376,124 related to the acquisition of Middle East Tubular Services Holdings Limited (METS).

In June 2015, the Group sold its sixty percent shareholding in Medserv Misurata FZC to the Misurata Free Zone Authority. Management took a decision to close the Misurata, Libya base permanently as activity remained minimal. The Misurata base was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations. The loss from discontinued operation net of tax amounted to €218,528 (2014: €95,011).

Total comprehensive income for year 2015 amounted to €5,668,214 (2014: €2,185,897) and includes gains on cash flow hedges amounting to €1,176,437. These gains relate to the forward



contracts entered into by the Group in relation to the acquisition of METS which was concluded after reporting date.

The Group's performance in 2015 can be attributed to a number of factors. Firstly to the strong business flow conducted out of Malta in support of the ongoing operations offshore Libya. Secondly to the performance of Medserv (Cyprus) Limited which continues to service ENI out of the company's shore base in Larnaca. Finally, engineering and maintenance services continued to grow in 2015.

This positive performance is a direct result of past investment made in equipment, professionally qualified personnel, health safety and quality management systems as well as improved information technology. All of this has allowed Medserv not only to consolidate its position in the oil and gas industry but also to better its financial performance in challenging times.

### State of affairs

Group total assets at reporting date stood at €81,141,029 (2014: €80,836,394). The Group's short term liquidity position as at 31 December 2015 was 1.2:1 (2014: 1.2:1). The current year's liquidity position is calculated after deducting from the current assets the derivative financial assets amounting to €1,176,437 and the advance payment in relation to the acquisition of METS amounting to €2,727,273.

Owners' funds, excluding non-controlling interest, amounted to €11,110,417 (2014: €9,215,824).

### Outlook

The global oil and gas sector continues to suffer from the effect of oversupply of oil to the market. Many international oil companies have cut back their investment plans especially at exploration level and a record number of rigs have been decommissioned and are now mothballed around the world. Cost cutting including staff reduction by international oil companies and top tier contractors make for unpleasant reading for all involved in this important global industry.

Medserv too has had to react to the market reality. However the Company has refocused and moved ahead with its investment plans to ensure it can continue to be of service to its growing list of blue chip customers in the Mediterranean and beyond.

The main investment planned for the first quarter of 2016 was the acquisition of METS for a price of US\$45 million. This investment will take Medserv into the Middle East. METS operates from three free zone base facilities located in the UAE, in Southern Iraq, and in Oman. This acquisition allows Medserv to enter the developed market of the Middle East where the extraction cost of a barrel of oil can better withstand today's downward pressure on prices.

Of equal importance to the sensitivity mentioned above, the METS acquisition brings to the Medserv Group strong intercompany synergies. Whilst both Medserv and METS operate within the oil and gas sector, their respective services are complementary and can be introduced in all of the bases operated by the enlarged Medserv Group across the Mediterranean and the Middle East.

The business pipeline is strong in all the geographical markets in which we operate. Our optimism is based on the knowledge that we have positioned the Group to continue servicing North Africa from Malta, the Eastern Mediterranean from Cyprus, and the Middle East from the UAE, Southern Iraq, and Oman.

In line with Group development strategy, work has already commenced on evaluating the potential of new markets which include amongst others Portugal, Iran, and Trinidad and Tobago. All of the three prospects mentioned are at different levels of development with Portugal being the most advanced as we are waiting for adjudication of a tender already submitted. In respect of Trinidad and Tobago the Company has been shortlisted by an international oil company (IOC) to participate in a tender for the provision of supply base and pipeyard services, whilst negotiations are at an early stage in the Group's efforts to secure a base facility in Iran.



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Company Secretary

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22 March 2016